EDWARD L. BRINK · WILLIAM T. KELLEY

The Management of Promotion

CONSUMER BEHAVIOR
AND
DEMAND STIMULATION

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The Management of Promotion

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The Management of Promotion

Consumer Behavior and Demand Stimulation

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TO OUR STUDENTS

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Preface

The story is told about an old Southern preacher who was deemed a very effective and persuasive speaker. When asked for the secret of his success, he said "Tell 'em you're gonna tell 'em, tell 'em, then tell 'em you've told 'em." Later in this book we would say that the preacher was effectively redundant in the communication channel.

In this preface we want only to "tell 'em what you're gonna tell 'em," and to give a brief account of how this book came to be and what its objectives are.

This would be unnecessary in the case of a conventional book—one dealing with advertising, personal selling, sales management, or public relations. Everyone knows what to expect from such books—what they should contain, what their topic areas are likely to be, and what their objectives are. One would rightly suppose that they would draw from the store of conventional wisdom that has been developed over the years. Since the present book is not a conventional treatment of the selling and advertising fields, the burden of proof is upon the authors to justify this departure from the norm.

Each of the authors has spent many years teaching the conventional wisdom of advertising and selling to Wharton School students. A great deal of this material dealt with techniques. Undoubtedly, techniques have their advantages. The novice just entering the field of business feels much more comfortable and secure if he is familiar with the major procedures of his trade; the employer is duly impressed if his novice knows the jargon, the difference between a line cut and a halftone, the distinction between a maximil and a minimil line rate, or the advantages of "center of influence" prospecting over the "cold canvas." In 1955, as a result of curriculum review, the authors evaluated their respective teaching areas and began to wonder whether this technical information was really so important. They saw that there were certain principles *behind* the techniques of advertising, selling, and public relations. At this time, too, there was a ferment abroad in the whole field of marketing. Marketing researchers were using depth interviewing to reveal hidden buying motives; sociologists were studying group behavior, power structures, elite groups, leadership theory, inner-directed versus other-

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directed motivation, and the like, to increase understanding of economic behavior and incentives; social psychologists were explaining the origins of group behavior patterns, charting communication patterns, and investigating how attitudes influenced behavior; anthropologists were uncovering evidence of early marketing activities which revealed the prehistoric beginnings of promotion; various schools of psychology (behavioral, adaptive, Gestalt, and Freudian) were offering explanations of individual behavior that seemed to bear on the marketing process; and the developing sciences of information theory, cybernetics, and semantics were awaiting application to commercial communication. Hovering over all of this was the impending self-examination by the educational survey at the University of Pennsylvania and the "outside" examinations by such groups as the Carnegie and Ford foundations. These were catalysts.

Both authors became interested in the interdisciplinary approach to the total area of promotion, regarding it as a common core of knowledge that explained the *raison d'être* for the whole promotional process. This theory had to be known, whether the student was to study advertising, selling, public relations, or any of the divisions thereof. By adapting and applying the behavioral science areas to the promotional fields, one could formulate basic and rather profound generalizations that offered a more meaningful exploration than did a mere recital of "this is how we do it, boys." We became involved in this challenge of tracing and integrating the "why" behind it all.

It would have been impractical, however, to attempt such a "why" analysis without starting from some conventional basis. To this extent we began this book with an overview of promotion as it might appear to a casual observer. Second, we attempted to bring some insight to bear on the operations of promotion (e.g., communications, psychology, etc.) as it occurs in our economic system. To this end one must look upon the frequent reference to the milk industry as a laboratory case; the automobile industry could have served just as well. Third, we drew upon some fundamentals of economics, sociology, etc., and really addressed ourselves to the "why" of promotion. "Why" implies many things. Why do we do it? Why can we do it? Why are we allowed to do it? These are the questions that are faced. Finally, we have endeavored to present a broad picture of the organization of the promotional effort. Again, we were not concerned with the "how" but rather with the organization of the promotional effort to achieve the optimal allocation of that effort in facilitating the movement of goods and the transfer of title from producer to consumer.

By adopting this approach, we were in a sense reverting to earlier patterns of teaching in the sales and advertising fields. Certainly men of the past were interested in the "why" as well as the "how" of their respective subjects. Walter Dill Scott, distinguished pioneer in the teaching of advertising, Herbert W. Hess, a disciple of Scott and founder of the Wharton School's Marketing Department, J. Russell Doubman, George

Burton Hotchkiss, Harry W. Hepner, and Melvin S. Hattwick have been outstanding contributors to the interdisciplinary areas of marketing and promotion. At the same time, these academicians had the encouragement and help of men in the field such as Harold H. Kynett, H. W. Prentis, Jr., Thomas B. McCabe, and Thomas J. Watson.

However, this trend soon turned into other channels and the attractive "hows" became more important than the fundamental "whys" and "wherefores." Sales and advertising texts were written from the standpoint of techniques and, later, of the management of these techniques. An unfortunate fragmentation of the promotional fields developed; people wrote books about such topics as copy, layout, and production, as well as "closing a sale," selling real estate, public relations for railroads, and industrial advertising copy. It is understandable that the era was caught up in a zealous effort to make the "how" more understandable, but it is unfortunate that the "whys" were lost in the shuffle.[1] If this was a sin, we, as academicians and pioneers, have no one to blame but ourselves. We clung to the "how" with ferocious tenacity, not realizing that the world knew "how" and wanted to know "why."

The authors decided that a reintegration of the field was needed. Unlike the early pioneers Scott and Hess, we had access to a rich literature in sociology, psychology, anthropology, and business history, which could be related to the commercial communication process. Investigation of the basic forces at work could yield fruitful generalizations; these in turn could be used to alter procedures in order to obtain a more effective deployment of the firm's marketing resources. The "why" approach could feed back, in a potentially useful loop of practical importance, to advertising, selling, and public-relations policy.

We also realized that a book was needed that would give the student a good overview of the promotional field without overspecializing in any specific functional promotional area. On the other hand, the "why" approach would provide a common basis of understanding in a beginning course on promotion on which the more specialized and conventional courses in advertising, sales management, marketing management, and public relations could be built.

The authors were not certain at first whether such an interdisciplinary approach would succeed for the typical undergraduate who has a minimal background in the supporting disciplines, such as psychology, sociology, and information theory. The first course was offered in the fall of 1956 at the Wharton School and has been taught in multiple sections ever since. We had full opportunity to experiment and test all topics for appropriateness, teachability, student level of comprehension, and meaningful organization. Our findings were most gratifying. Student comprehension and, more important, student enthusiasm were high. Some of the better students even did a great deal of extra reading suggested by their instructors in significant but often difficult works. No small part of the success of this venture was due to the efforts of our colleagues, James Alexander, Edward Anderson, Martin Bell, Donald Dixon, Frank Eby, Carl Lawrence, Stanley J. Shapiro, and J. Hart Walters. They labored with the experiment and were valuable in feeding back information to us.

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[1] For a more extended discussion of this point see E. L. Brink, *Marketing Concepts in Changing Times,* Richard M. Hill, ed. (Chicago, Ill.: American Marketing Association, pp. 266-270.)

Finally, we were encouraged by our senior colleagues, especially Wroe Alderson, Reavis Cox, and Charles S. Goodman, and by other highly respected persons in the marketing, sales, and advertising fields who felt that the promotional areas should return to the "whys" and devote less effort to the techniques. In this connection, we are particularly indebted to Professor Albert W. Frey for his encouragement and constructive criticism of our manuscript.

In the light of all of this, we feel rather justified in introducing to the world still another book.

EDWARD L. BRINK
WILLIAM T. KELLEY

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Chapter 1

Nature and Scope of Promotion

INTRODUCTION

In a sense, no one really needs to be introduced to the field of promotion. Promotion aims to be conspicuous, and nothing is more pervasive in a modern society. One would have to be blind to escape the thousands of advertisements in newspapers, magazines, the morning mail, and on billboards and car cards. One would have to be deaf to miss the scores of commercial announcements that are broadcast over the more than 160 million radio sets and 60 million television sets in this country. One would have to live in an isolated section of the country to avoid the occasional importunities of traveling salesmen at his door. Anyone who visits a retail store is subject to promotional influences of varying intensity—sales demonstrations, sales messages by retail sales clerks, point-of-sale material, and the like. Even in the editorial sections of the paper or magazine he reads, the modern American is exposed, usually without being aware of it, to the subtle influence of the publicity or public relations fraternity who have provided full information or news about companies and new products to the editor of the journal.

Yet careful study of the promotional field is necessary. The reader of an advertisement or the listener to a sales presentation sees only the end product of a complicated and expensive economic activity. Like the spectator of a stage play, the person exposed to some kind of promotion has little appreciation of what goes on behind the scenes. He knows that somebody wants to sell him something, but usually he does not grasp the reasons behind the strategy.

The purpose of this book is to provide the reader with an understanding of why goods are promoted in a free enterprise economy. The management of any business activity is basically concerned with the strategy of the activity, the direction and coordination of the various means the manager has at his disposal. Without an understanding of the fundamental principles of a subject one becomes a mere technician who can follow set procedures and routines, but is incapable of establishing such procedures and coordinating and giving direction to the activities in question.

CONCEPTS

Perhaps the best way to get into the subject is to look at some of the fundamental concepts with which we shall be working. Unfortunately, one of the problems frequently encountered in the social science fields is the lack of agreement on terms. Unlike the physical and medical science fields, in which technical terms are derived from Latin or Greek roots, the social science fields have borrowed common words and redefined them. Thus the student of the marketing and promotion field may become quite confused unless he is careful at the outset to learn the particular terminology of his field.

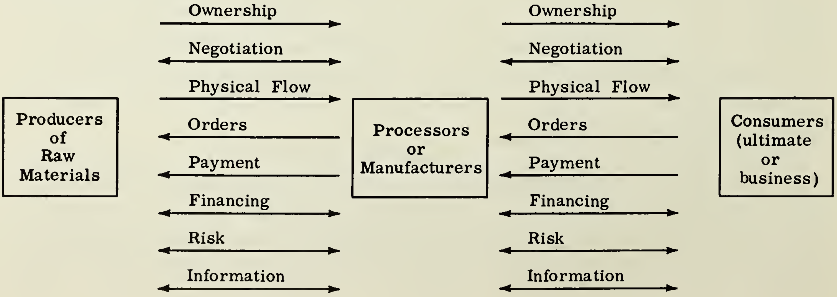
THE FIELD OF MARKETING

Marketing involves the flow of goods and services from the point of production to the point of consumption. It includes all functions performed in getting economically useful and wanted products of mine, field, forest, and factory into the hands of the consumers.

It is useful to imagine the marketing process as a flow or channel. Along the channel are people who provide services that facilitate the flow. Organized into business units, they are termed middlemen. There are various kinds of middlemen, according to their respective places along the channel and their respective functions; some of these are wholesalers, retailers, agents, brokers, and transport and financing organizations. The following is a simple diagram of these institutional arrangements:

Manufacturer————→Wholesaler————→Retailer————→Consumer

Regardless of what we call these various specialists, certain functions must be performed as goods move down the channels of commerce. The flow, when broken down into its essential constituents, becomes a rather complex channel.


Producers of Raw Materials
Ownership
Negotiation
Physical Flow
Orders
Payment
Financing
Risk
Information
Processors or Manufacturers
Ownership
Negotiation
Physical Flow
Orders
Payment
Financing
Risk
Information
Consumers (ultimate or business)

The diagram above shows that the over-all marketing channel really involves a number of subsidiary flows and relationships. The responsibilities for some kinds of functions flow down the channel from producer to consumer; some flow up the channel; others go both ways. The responsibility for managing certain functions may be assumed by certain types of middlemen or shifted to others. For example, the broker shifts all the functions but negotiation and information to others; the drop shipper assumes all functions but management of the physical flow (storing); and so on. Much study by marketing experts is concerned with determining who can best perform the various functions most efficiently, what combination of middlemen is best, and how functional costs can be reduced.

We are not concerned with the details of these questions. Rather, let us see where our field of interest, promotion, fits into this marketing process.

Flows Toward Consumers

(1) *Flow of Ownership.* Under a capitalistic system, someone must own all goods and facilities.[1] The distribution of the fruits of farming, mining, forestry, and manufacturing must involve the buying and selling of goods, or, as the lawyer would express it, a change in the ownership or title. As goods move down the marketing channel, successive sales and purchases result in a flow of title toward consuming markets.

(2) *Flow of Negotiation.* Incidental to the change of ownership, a great deal of work is done in bargaining about prices, terms of sale, definition of quality or grade, manner of delivery, and the like. This bargaining function is necessary in bringing about a meeting of minds and the conclusion of a contract to sell. There are certain highly specialized middlemen, such as brokers, agents, and factors, whose main business is to facilitate the flow of negotiation down the channel.

(3) *Physical Flow.* Goods bought and sold must be transported about the earth's surface from places where they are less wanted to places where they are of greater use. They must also be held at rest through time, or stored. Thus, at any moment in a modern economy, goods are moving down this physical channel. Networks of transportation and storage tend to develop, much like pipelines which carry oil or other fluids. Specialized agencies such as railroads, truck lines, shipping companies, and warehouse firms provide the facilities.

Flows Toward Producers

(1) *Flow of Orders.* The over-all direction and coordination of activity depends on setting up means by which the wants of the consumers can be communicated to the producers. The flow of orders and of payments

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[1] With the exception of certain socialized segments of an economy such as the postal system, public lands, transportation, and power and communication systems.

directs the physical flow along the physical flow channel. Regulated through the mechanism of the price system, these flows allocate goods in proportion to the relative effective demands throughout the market area. For example, if a brand of toothpaste is successfully promoted and marketed, the drug store retailers soon reduce their small stocks of it to the reorder point. Numerous orders for the product flow to the drug wholesalers. Since the stocks of the latter are drawn down, they release flows of orders to the toothpaste manufacturer. The manufacturer, in turn, is stimulated to make more toothpaste and send it back through the pipeline toward the consumer. The reverse is also true. Lack of orders causes pipelines to fill up beyond normal levels; price may decline. Abnormal stocks and/or falling price tends to inhibit production of the product.

(2) *Flow of Payments.* In an exchange economy in which goods are sold for money rather than bartered for other goods, a money flow must go back toward the people who produced the goods. Part of the flow, of course, must eddy into the coffers of the various middlemen to compensate *them* for their contributions. The bank credit and government currency systems are the media for effectuating this flow of payments.

Two-Way Flows

(1) *Financing Flow.* This flow is related to the flow of negotiation and also to the flow of payments. The financial arrangements are generally negotiated at time of sale. Agencies that handle the flow of payment may also provide the financing, but often different agencies come into the picture.

It is a two-way flow because anyone along the channel may participate. For example, a manufacturer commonly finances a wholesaler when he grants terms to him, such as 2 per cent discount for cash if paid in ten days, net amount due in 60 days (2-10, n-60). This means that the manufacturer, in effect, loans the goods in question to the wholesaler for 60 days, during which time the wholesaler may sell the goods and get the money from the transaction to reimburse the manufacturer. It also may work in reverse. In the canning field, a strong wholesaler may advance money to small, financially weak canners to enable the latter to meet out-of-pocket production and shipping costs. Specialized financial firms (banks, finance companies) may participate in the flow; any producer or middleman may borrow funds to enable the offering of more liberal credit terms or to take advantage of cash or other discounts.

(2) *Flow of Risk.* This is a two-way flow because risk, even though tied-up ownership of goods, may be shifted about to agencies other than those directly involved in the transaction, or reallocated between the parties themselves. For example, insurance companies commonly assume risks of physical destruction under prescribed conditions, such as fire, theft, war, and riot; a commodity exchange may afford hedging facilities

which partially shift the risk of price changes to professional speculators. A manufacturer may sell to a retailer but guarantee him for a stated period against a lowering of prices, thus retaining part of the risk even though the ownership of goods has passed from him.

(3) *Flow of Information.* Any modern marketing system must set up agencies of information for instituting two kinds of information flow; one flowing from consumers toward producers, the other flowing from producers toward consumers.

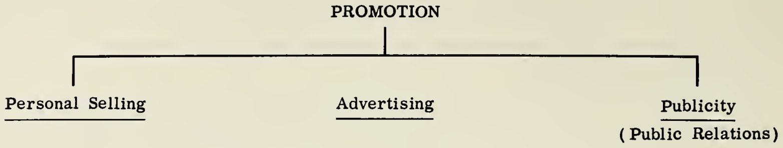
(a) FLOW OF MARKET INFORMATION Divorced as he is in time and space from the consumers, the producer must arrange for a flow of facts about his market back to him. This may be compared with the intelligence function of the army. Any field commander must set up his intelligence or reconnaissance organization to learn of the enemy's location, numbers, and probable intentions. So must the manufacturers and the various middlemen set up *their* intelligence functions, for they are at a loss without careful flow of market evaluation facts and figures on the basis of which they can form their plans and marketing strategies. This flow of market information is so important and so closely related to promotional activities that the subject will be discussed later in some detail.

(b) FLOW OF PROMOTION The consumer as well is divorced in time and space from his source of supply, the producers and middlemen. In isolation, he would have no knowledge of the alternative offerings on the marketplace. He would have to take the initiative to inform himself of such offerings. This is sometimes done. Consumer rating agencies are consumer-initiated and -supported. In our economy, however, the initiative is usually taken by the seller. He arranges channels of information and determines what facts, appeals, sales points, and persuasion shall flow down them. The consumer is thereby informed who has what, where the product may be obtained and under what conditions, and why it may be a good value (or satisfy wants). Just as the flow of facts up the channel about his markets helps the producer to determine what, how much, and when to produce, the flow of promotional information down the channel enables him to create markets for his products. Without this there would be little reason for the flow. Of course, the two flows, market information and promotion, use quite different channels and agencies. Market information flows through governmental fact-gathering agencies, private marketing research organizations, business press, university research bureaus, and the like. The channel of promotion is set up through the various advertising media (newspapers, magazines, radio, television), sales organizations, and publicity bureaus.

THE FIELD OF PROMOTION

Having examined the place of promotion in the marketing field, we shall now consider the various kinds of promotional activity in which men engage in a modern free-enterprise economy. There is a great deal of confusion over the meaning of certain terms pertaining to the field. It is necessary to clarify these at the outset.

The following diagram may help the reader to understand the relationship among the major areas of promotion:



"Promotion," as used in this work, will be defined as the coordination of all seller-initiated efforts to set up channels of information and persuasion to facilitate the sale of a good or service, or the acceptance of an idea. Note that we assume that the barriers of the consumer's isolation in time and space must be overcome; he must be informed of alternative offerings on the marketplace. Note also the word, "seller-initiated." We assume that the seller should take the initiative because we believe that it is more efficient for relatively few sellers to assume the function than for millions of buyers to take the initiative and seek out the sellers. In the latter case, the time and effort expended would be staggering.[2] Moreover, since the ultimate consumer is an amateur buyer, he would not canvass the alternative offerings nearly so thoroughly as when they are brought to his attention by the various sellers.

Finally, note the words, "facilitate the sale." Promotion is a facilitating or helping function of marketing. Although it is said to create markets, this is not entirely true; human needs really lie behind market demands. You do not create a want, but rather call attention to how the want may be better satisfied.

Personal selling is a form of promotion in which a direct person-to-person channel of communication is established between buyer and seller. It is addressed to a specific person, or, at most, to a small group by a salesman who is physically present and can vary his appeals or sales arguments to fit observed peculiarities of the buyer. It is unrecorded conversation, as opposed to advertising, which is set down for all to see and check.

Advertising is defined as any paid form of nonpersonal presentation of goods, services, or ideas to a group—such presentation being openly sponsored by the advertiser. Note the word "nonpersonal"; this means that the message is not presented person-to-person. It does not mean that it is impersonal, for the advertiser often employs very personal appeals and situations. Note that advertising is "openly sponsored"; indeed, good advertising makes a big point of impressing the brand name or trademark on the memory of the consumer. It is "paid for" because the advertiser compensates the owners of the media through which he reaches the public for the space or time used on his behalf. It is "to a group" which distinguishes advertising from personal selling, which is on an individual basis. The advertiser of mass-consumed items may talk to millions of people at one time through his advertisement; he must ascertain group similarities and appeal to the greatest common denominator. The personal salesman can determine differences and pattern his sales presentation according to individual peculiarities, an advantage unique to personal selling. Finally, advertising is recorded communication. This fact should demand greater accuracy on the part of advertising, for the customer can refer back to the printed advertisement. If the item advertised is not as promised, the buyer has better proof of the fact than he has in the case of personal sales representations.[3]

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[2] As Tosdal says: "Were buyers to assume the responsibility it is clear at once that at present there are more buying persons or organizations to make the contacts and that many of these will be duplicating in a small or large scale the work of others situated in the same areas . . . more human energy and time would be required." Harry R. Tosdal, "The Advertising and Selling Process," *The Annals of the American Academy of Political and Social Science,* May 1940, p. 68.

Publicity is not openly sponsored and frequently is not paid for. The publicist sends newsworthy releases to the organs of communication, such as newspapers, magazines, trade papers, and news commentators, in the hope that he will get a "free plug," a gratuitous mention in the news or editorial columns of the medium.[4] Journalistic in approach, publicity is especially valuable because it is *not* sponsored; in most cases the reader, looking at it as an item of news, reads it with less skepticism than he would an identifiable advertisement. Publicity is a function of public relations, but the latter term has a much broader meaning than does the word "publicity." Public relations evaluates public attitudes toward an institution and then takes positive action to eliminate all that may create unfavorable attitudes. Within this context, publicity is just one part of the public relations program. Griswold and Griswold cite this formal definition of public relations: "Public relations is the management function which evaluates public attitudes, identifies the policies and procedures of an individual or organization with the public interest, and executes a program of action to earn public understanding and acceptance."[5]

The term "sales promotion" often causes some confusion. We shall use it as synonymous with "promotion." However, in the business world, it is often used in a more restricted sense. It is considered a facilitating function to the advertising and personal selling activities of the firm, a kind of "catchall" grouping of activities that support, but do not replace, advertising and selling. Thus orientation of the manufacturer's dealers regarding forthcoming advertising campaigns, issuance of house magazines, preparation of point-of-sale material for stores, and other devices may fall in the category "sales promotion."[6]

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[3] See Nicholas Samstag, "Some Differences between Advertising and Selling," *Advertising Agency and Advertising and Selling,* January—June 1953, pp. 75-77. The authors acknowledge their indebtedness to Mr. Samstag for the concept of recorded versus unrecorded conversation.

[4] "Editorial columns" is used here in its specialized connotation. Editorial matter is everything in a publication other than sponsored advertising, news, features, and love stories.

[5] G. and D. Griswold, eds., *Your Public Relations* (New York: Funk & Wagnalls Co., 1948).

A final term with which we should be familiar is "merchandising." This word has many broad and inaccurate connotations in the business world. Two meanings especially are found. A generation ago merchandising meant the same as the modern term "marketing." Now promotion people sometimes speak of "merchandising the advertising"—this really means selling middlemen on the completeness and probable effectiveness of an advertising program during the coming period. In turn, traffic will be created for the dealer's store, and the dealer will be inclined to stock the particular brand of merchandise.

The proper meaning of "merchandising" is the adjustment of a product, combination of products, or services to what the greater proportion of one's customers desire. Thus, a manufacturer "merchandises" his product when he designs it with that combination of qualities which most customers want, at a price they are willing to pay. A retailer merchandises by purchasing and displaying that assortment of goods with surrounding services that will appeal to the greatest number of his clientele. Promotion, on the other hand, takes a given product or assortment of goods and attempts to make it more desirable to the customers by pointing out advantages already built into the product. Of course, the promotion people can often give valuable advice to product design personnel; for example, what is selling, what is not selling, what competitors are selling, and what might sell better. Although the function is not directly his responsibility, the promotion man often is involved in merchandising work as an expert adviser.

THE IMPORTANCE OF PROMOTION

It is difficult to find reliable measurements of the extent of promotional activities in the United States. Unfortunately, statistics pertaining to the field are fragmentary and frequently unreliable. The best figures available are for advertising; little is available for the personal selling area, and even less for the public relations or publicity function.

Fortunately, the Census of 1950 collected statistics on the number of people employed by different occupational categories, and we shall use these statistics in an attempt to estimate the size of each major promotional activity.

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[6] For more complete discussion, see "The Sales Promotion Unit," *Marketing Handbook* (New York: The Ronald Press Company, 1951), sec. 12.

NUMBER OF PEOPLE EMPLOYED IN PROMOTION

Advertising

The Census Bureau tabulation of the 1950 Census of Business revealed that 115,020 individuals were engaged in advertising that year. Of these, 76,650 were male workers and 38,370 were female workers.[7]

Among the males, 15,210 were classified as professional and technical people, 21,060 as managers, officials, and proprietors, and only 7,440 males as clerical workers. Of the females, 4,440 were listed as professional and technical people, 3,660 as managers, officials, and proprietors, and 25,560 as clerical workers.[8]

The 1950 Census also gave figures on a classification called "advertising agents and salesmen"; 27,813 men and 4,572 women were in this category.[9] The total of 32,385 "advertising agents and salesmen" probably underrated the actual number of people engaged in advertising agency work, for more recent figures compiled by the 1954 Census of Business show that the 5,077 advertising agencies enumerated 46,046 people employed (as of November 15, 1954). The difference between this figure and the earlier Census figure might have resulted from four years of rapid agency growth, but this seems unlikely.

Sales

In contrast with 115,000 people in advertising work, the Census of 1950 showed 3,894,125 people in "saleswork" in the United States that year. Of these, 2,568,973 were men, and 1,325,152 were women. The category "salesworkers" is a broad one, as shown by Table 1.1; for instance, it is doubtful that "hucksters and peddlers," "newsboys," and "retail clerks" are truly in saleswork as most people define the field.[10] By 1961 the number of people employed in saleswork had grown to 4,508,000.[11]

Accordingly, a new classification is employed by the authors: "outside salesmen" and "inside salesmen." Inside salesmen are those who are

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[7] By the end of 1957, *Printers' Ink* estimated that there were 375,000 people engaged in advertising in the United States. It is the authors' opinion, however, that this source highly overstates employment in the advertising field. See *Printers' Ink*, December 6, 1957, p. 86.

[8] *Advertising Age*, **26**, No. 31, August 1, 1955, 1.

[9] *Statistical Abstract of the United States*, 1955.

[10] The petty nature of huckstering and newspaper selling and the lack of creative selling exhibited by many sales clerks in the stores tend to support this view.

[11] *Statistical Abstract of the United States*, 1961, p. 216.

Table 1.1

Salesworkers	*Male*	*Female*
Auctioneers	4,826	454
Demonstrators	2,415	10,950
Hucksters and peddlers	18,871	3,079
Insurance agents and brokers	278,120	25,913
Newsboys	92,301	3,867
Real estate agents and brokers	120,325	20,277
Stock and bond salesmen	9,886	1,086
Salesmen, manufacturing	298,271	22,452
Salesmen, wholesale	391,757	15,062
Sales clerks, retail	1,253,109	1,192,323
Salesmen, others	99,092	29,689
TOTAL	2,568,973	1,325,152
Outside salesmen	1,183,149	
Inside salesmen	2,464,077	
Not classified	246,899	
Total	3,894,125	

Source: Statistical Abstract of the United States, 1955 (Washington, D.C.: Government Printing Office, 1955), p. 201.

sought out by customers, such as auctioneers, demonstrators, and retail sales clerks. Outside salesmen are those who seek out customers away from their respective places of business, such as insurance agents and brokers, real estate agents and brokers, stock and bond salesmen, and salesmen representing manufacturers and wholesalers. When such a tabulation was made on this basis[12] there are approximately 1.2 million outside salesmen and 2.5 million inside salesmen.

It is apparent that personal selling, when measured by number of people employed, is more important than advertising. Comparing the more creative outside salesman category (1.2 million) with the total of all workers in advertising (115,000), you must have a ratio of ten workers in sales to about one in advertising. However, most of the money spent on advertising goes to the various advertising media and the printing industry. For example, advertising makes up all revenue of radio and television industry and pays about two-thirds of the cost of publishing newspapers and more than one-half the cost of publishing magazines.[13] Thus advertising indirectly helps support many hundreds of thousands of workers in other fields.

Public Relations or Publicity

No one knows exactly how many people are employed in this area of promotion. There are no Census data, and any estimates made by experts in the field must be little more than "guesstimates." As late as 1930 there were probably no more than 1,000 public relations people in the United States. *Britannica Book of the Year* estimated that there were 35,000 persons engaged in the practice of public relations in this country on a full-time basis in 1952.[14]

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[12] See Table 1.1. Hucksters, peddlers, newsboys, and salesmen, others were put into the "not classified" category.

[13] Neil H. Borden, *Economic Effects of Advertising* (Homewood: Richard D. Irwin, Inc., 1942), pp. 68-71.

A more recent *Business Week* estimated 100,000 public relations practitioners in 1960.[15] Thus public relations has been a business of spectacular growth in the past generation. The great majority of the people are on company public relations staffs which range in size from one man to several hundred men. The others are with government departments, trade associations, and independent public relations counseling agencies. *Business Week* reported 1,350 of these organizations in early 1960 and an increase of 50 a year.[16]

Among the top 300 companies three out of four now have complete public relations departments compared with an estimated one out of 50 in 1936. Smaller concerns, too, are establishing public relations departments or employing the service of independent public relations agencies.[17]

ECONOMIC IMPORTANCE

Advertising

Fortunately there are good estimates available for expenditures on advertising. For some years the Central Research Department of the McCann-Erickson Advertising Agency has made annual dollar volume estimates and has carried the series back to 1867, as is shown in Table 1.2.[18] The latter demonstrates clearly how American advertising has grown. From a mere $50 million in 1867, expenditures grew to $542 million at the turn of the century. They rose from $1 billion at the beginning of World War I to nearly $3 billion during the prosperous 1920's; after falling to about $1 billion in 1933, they recovered gradually to nearly $2 billion by the outbreak of World War II. The most rapid growth took place during the post World War II period; starting at $3.4 billion in 1946, expenditures rose quickly to $9 billion by 1955 and close to $12 billion by 1961.

Another measure of advertising growth is the change in the per capita amount spent each year. It is estimated that in the 1860's about 25 cents per person per year was spent on advertising in this country. This amount rose to 75 cents per capita in 1880 and by 1929 to $9.22. After falling considerably during the Depression, it climbed to about $28.50 by 1948, $53 by 1955, and $64 by 1961.[19]

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[14] Cited in Scott M. Cutlip and Allen H. Center, *Effective Public Relations* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1952), p. 480.

[15] "Public Relations Today"—Special Report, *Business Week,* July 2, 1960, p. 42.

[16] *Ibid.*

[17] *Ibid.,* p. 41.

[18] The late Dr. L. D. H. Weld pioneered these estimates in 1938, and they have been sponsored for many years by *Printers' Ink.* They are accepted and quoted by government economists as the most accurate estimates available.

Another indication of advertising growth is the proportion that advertising expenditures bear to the total national income of the United States. From about World War I to the beginning of World War II expenditures on advertising, expressed as a percentage of the national income, remained remarkably constant at 3 per cent in spite of the Great Depression of 1932-39. The ratio declined during both World Wars, falling as low as 1.3 per cent at the height of World War II. It recovered gradually after that war, rising to 1.71 per cent in 1946 and 1.94 per cent in 1947. Having remained between 2.3 per cent and 2.6 per cent

TABLE 1.2

TOTAL ANNUAL VOLUME OF ADVERTISING IN U.S., 1867-1961

Year	*Volume of Expenditures* (millions of dollars)	*Year*	*Volume of Expenditures* (millions of dollars)
1867	50	1935	1,690
1880	200	1936	1,902
1890	360	1937	2,072
1900	542	1938	1,904
1904	821	1939	1,980
1909	1,142	1940	2,088
1914	1,302	1941	2,236
1915	1,302	1942	2,156
1916	1,468	1943	2,496
1917	1,627	1944	2,724
1918	1,468	1945	2,875
1919	2,282	1946	3,364
1920	2,935	1947	4,260
1921	2,282	1948	4,864
1922	2,607	1949	5,202
1923	2,935	1950	5,710
1924	2,935	1951	6,426
1925	3,009	1952	7,156
1926	3,262	1953	7,755
1927	3,262	1954	8,164
1928	3,262	1955	9,194
1929	3,426	1956	9,905
1930	2,607	1957	10,311
1931	2,282	1958	10,302
1932	1,627	1959	11,117
1933	1,302	1960	11,932
1934	1,627	1961	11,996

Sources: 1867-1959, *Advertisers' Guide to Marketing for 1961* (New York: Printers' Ink Books, September 9, 1960), pp. 340-42; 1960, *Printers' Ink*, July 28, 1961, p. 12; 1961, *Printers' Ink*, February 16, 1962, p. 13.

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[19] For forecasts of expenditures to the year 1975, see Royal H. Ray, "Advertising and Economic Support: 1955-1975." *Journalism Quarterly*, Winter 1955.

from 1949 through 1953 and then reaching 2.8 per cent in 1955, the ratio was again approaching the same figure of 3 per cent that previously had remained for such a long time.

The relative stability of the advertising expenditure-national income ratio through periods of prosperity and periods of depression suggests that advertising is sensitive to business cycle influences. Advertising expenditures rise and fall almost in proportion to changes in the national income; only wars seem to upset the stability of the relationship.

Another measure of the importance of advertising is the relationship between total sales and advertising expenditures by all businesses in the United States, as revealed by "Statistics of Income" published by the Bureau of Internal Revenue. Analysis of tax returns for 1948 showed that total sales were $594,040,036,000, of which $4,344,297,000 were for advertising expenses; this yields a ratio, advertising to sales, of 0.731 per cent.[20]

Sales

No one knows the exact amount spent for the personal selling function each year by American business. While there are good estimates of advertising expenditures, as just seen, there are none for sales. The reason for this state of affairs becomes apparent when we examine the difficulties inherent in measuring the personal selling function:

1. *Difficulties in definition.* Who is engaged in selling? Would you include such people as retail sales clerks, newsboys, telephone order clerks in wholesale establishments, and advertising account executives?

2. *Difficulties in collecting the statistical data.* In the advertising field, most of the money is spent on the various advertising media. Since there are relatively few of these, space and time charges and the share of money retained by advertising agencies for their functions can easily be computed. Unknowns can be estimated by applying known cost ratios such as talent costs, production costs, and advertising department costs. In the case of sales expense, the money is not concentrated at certain measurable flow points (advertising media); hundreds of thousands of concerns individually appropriate and spend money on their respective salesforces. Ratios of sales expense to total sales vary widely, even within a given industry. Accounting practices differ as to how sales expenses are allocated as between account classifications. Hence, studies must be cross-sectional; a sample of firms representing each industrial category must be contacted for sales and advertising figures. Several such studies have been done.[21] These studies are presently rather obsolescent, but they are all we have on which to depend.

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[20] *Advertising Age,* May 5, 1952.

[21] For example, Association of National Advertisers, Inc., *An Analysis of the Distribution Costs of 312 Manufacturers* (New York, 1931) and *Marketing Expenses of Grocery Manufacturers,* Harvard Business School Bureau of Business Research Bulletin No. 77 (Cambridge, 1927).

The most comprehensive sample is the Association of National Advertisers' study of 312 manufacturers; this shows that there are few lines of business in which the advertising and sales promotion expense exceeds the direct selling expense, both categories being measured as a percentage of net sales. Promotion expenses exceeded personal sales costs in two categories of industry, drugs and toilet articles and tobacco products; for the other categories, however, sales expense exceeded advertising expense.[22]

If the average ratios of direct selling costs to advertising and sales promotion expenses for broader categories of business are calculated, one arrives at the following relationships: consumer goods, 2.54; industrial goods, 5.0; and wholesaling firms, 16.2.[23] These show that, compared to advertising expenses, direct selling costs are much greater for all fields, but increase greatly as you get away from consumer good markets.

Although it is not possible from the fragmentary data extant to calculate a precise ratio of sales to advertising cost for all business, it does not seem reasonable to assume from the above ratios a three-to-one or even a four-to-one ratio.[24] The higher estimate is probably not excessive, since there is evidence that total expenditures for personal selling increased considerably faster than did advertising expenditures in the post World War II period.[25] Since total expenditures on advertising in this country by the late 1950's were about $10 billion, application of these ratios gives us an estimate for direct selling expenses of between $30 billion and $40 billion for these years.

Publicity

Specific Business Census data are lacking for the amount spent on public relations or publicity in this country. However *Business Week* estimated that $2 billion a year was spent on this function in early 1960.[26] The same source forecasted an annual expenditure of $6 billion by 1969. Although the amount spent for public relations was about one-fifth of that spent on advertising, it is apparent that public relations is growing at a much faster rate than advertising. Accordingly, one would expect that the gap would be narrowed in the future between these two great communication functions.

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[22] Representative ratios: automotive, 3.9 per cent advertising and 12.8 per cent selling; heating equipment, 7.9 per cent and 15.8 per cent; office equipment and supplies, 3.2 per cent and 21.3 per cent. The drug and toilet article ratios were 18.4 per cent and 11.3 per cent; tobacco products, 8.3 per cent and 3.2 per cent.

[23] Calculated from Borden, *Economic Effects of Advertising,* Tables 6 and 7.

[24] In *Modern Advertising* (New York: McGraw-Hill Book Co., Inc., 1956, p. 18), Harry W. Hepner gives a four-to-one estimate.

[25] A. J. Gallagher, *Printers' Ink,* October 20, 1950, p. 43.

[26] "Public Relations Today"—Special Report, *Business Week,* July 2, 1960, p. 42. This report cited a forecast by Kalman Druck that the number of public relations practitioners will expand to 250,000 by 1969.

Chapter 2

Historical Aspects of Promotion

Studying a subject without an appreciation of its antecedents is like seeing a picture in two dimensions—there is no depth. The study of history gives us this depth as well as an understanding of why things are as they are. For example, many of the practices of the modern advertising agency make little sense unless one understands the historical background for them. The study of history also makes us more tolerant of our present progress; we are able to appreciate the tremendous distance we have already come and the time it took humanity to arrive thus far; for example, we can perceive how much advertising and selling ethics have improved in just a few generations. In addition, historical perspective enables us to discern trends that may extend into the future, thus aiding us in predicting probable tendencies in our field. Finally, the study of history is fun. It is interesting to see what people were like in the past, how they behaved, what their attitudes were; for instance, we are able to trace changes in attitudes toward our field of interest and to see how the traditional way of looking at things subtly influences present attitudes toward the marketing process.

The field of marketing history has been grossly neglected. There are few works in the field, and these usually deal with specific areas of marketing and are written as shocking exposés. The facts embodied in this chapter had to be gleaned from many sources, and, because of limited space, this historical account can be little more than a quick glance at a vast area. We hope, however, that the reader will gain some perspective on how promotion came to be.

BEGINNING OF MARKETING AND PROMOTION

As Miriam Beard says:

> [The business man] had been developing his skill at bargaining and manufacturing long, enormously long, before the first Western European heroes of whom we know began to hack their way to fame. Before Greek Achilles or Trojan Hector, Roman Horatius or Cincinnatus, Teuton Siegfried or English Beowulf wielded their mighty swords—thousands of years, in fact, before there were any swords at all—the Eastern Trader was well established in the Mesopotamian Valley, and was wise with the cunning of untold ages.[1]

When man abandoned his nomadic activities, settled down to agriculture, and built towns, trade routes were established between these towns. Boats were traversing the Tigris and Euphrates rivers as far back as 6000 or 7000 B.C.; sea commerce was well developed in the eastern Mediterranean by 4000 B.C.[2]; and trade routes of the Stone Age extended from the Near East to Western Europe. Bronze products were brought from the Near East over the Alps to the Danube and Elbe Rivers and the Scandinavian regions. Shields, helmets, greaves, knives, and swords were shipped from the Near East to the Mediterranean region. Wine was imported from Greece. Honey, furs, and slaves were exported from Western Europe to the Near East.

An important archeological find was made in Pomerania. An oaken box fitted with leather straps for securing to the shoulders was found in a bog. It was obviously a sample box, as it contained numerous specimens of goods such as a dagger, a blade, a needle, and a sickle.[3] It is the first direct evidence we have of the existence of the traveling salesman, although it is evident that the need for his services must have existed four or five thousand years ago.

Our evidence of retailing activities goes back to 3000 B.C. Archeologists have found contracts to rent stores and sell goods, numerous laws on clay tablets covering a variety of transactions and regulating market prices, and precious metal bars which were stamped with the guarantee of some temple and circulated as a medium of exchange.

Modern organized commerce began with the Phoenicians as early as 2000 B.C. The geographical area inhabited by these people was arid and yielded poor crops. Therefore, they naturally turned to trade for survival. Professor Hess points out:

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[1] *A History of the Business Man* (New York: The Macmillan Company, 1938), p. 11. Also published as *A History of Business From Babylon to the Monopolists* (Ann Arbor: The University of Michigan Press, 1962). By permission. Copyright The University of Michigan.

[2] J. R. Doubman, *Salesmanship and Types of Selling* (New York: Appleton-Century-Crofts, Inc., 1939), p. 14.

[3] *Ibid.*, p. 13.

> Caravan routes brought the Phoenicians in touch with the people to the north, south, and east of them, while a wealth of timber and a coast line one hundred miles long encouraged sea trading. Manufacturing, a concomitant of trade, was prosecuted by the Phoenicians in an assiduous fashion. From raw materials, procured from other countries, the Phoenicians manufactured products which were the basis of their trade throughout the ancient world. Clothes, glass, metalware, purple dye extracted from a species of shell fish, ivory, metals and precious stones are some of the important items in the annals of Phoenician commerce.[4]

DEVELOPMENT OF EARLY ATTITUDES TOWARD MARKETING

The deep peace of the prehistoric world of 1800 to 1200 B.C. gave way to an age of warfare. Traders had armed the savages and the latter, resenting the foreigners, considered them "fair game." Warrior leaders erected strongholds along the coasts and river valleys from which they made forays on the passing merchants, exacting large tolls from them. The attitude of these heroes was common in antiquity. As Beard puts it:

> The trader cheated them in horse-deals, and stole their daughters to sell in slave markets; they sought revenge upon him.[5]

The attitude arose among the military caste that the trader was socially inferior; it was an insult to be taken for a merchant. Homer tells of Odysseus, saved by Nausicaa and taken to her noble father, being thus insulted by Euryolus:

> No, truly, stranger, I do not think thee at all like a skilled sportsman, but rather like a merchant . . . one with a memory for his freight, or that hath got the charge of a cargo homeward bound, and of greedy gotten gains.[6]

Odysseus had to lift up and hurl a monstrous stone to prove his virility; whereupon he was received as a social equal by the king.

For 1,000 years war raged between the trading communities and the warrior communities, culminating when Rome (a warrior city) leveled two great trading cities, Corinth and Carthage in 146 B.C.[7] The lawlessness of the period greatly increased the risks of trading. The merchant might have his goods seized, his debts canceled by arbitrary fiat of the ruler, or a new tariff imposed upon him without warning. Yet there was trade during these times. The Asian and Greek temple priesthood aided the merchant by acting as judges in disputes and providing a place (the temple) in which the trader might deposit his precious metal for safekeeping. Temples, such as that of Apollo at Delphi, which acted as gold depositories and credit-granting agencies, were thus precursors of our commercial banks.

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[4] Herbert W. Hess, *Creative Salesmanship* (Philadelphia: J. B. Lippincott Co., 1929), p. 13.

[5] Beard, *A History of the Business Man,* p. 15.

[6] *Ibid.*

[7] For an excellent discussion of these times see Harold Lamb, *Hannibal* (New York: Bantam Books, Inc., 1958).

During this period the trading cities, Tyre, Sidon, and Carthage, sided with the Persians against the Greeks. In the two decisive sea battles, Salamis and Himera, the trading city forces were beaten by the agrarian-military forces. The latter, in the shape of the armies of Rome, later took Corinth, Carthage, Alexandria, Rhodes, and Palmyra. The trader, his wealth and prestige gone, did not lose the stamp of inferiority imposed on him by the victorious warrior-agrarian interests for nearly 2,000 years. "He was kept subordinated in a world-embracing social structure, erected and controlled by men of the soil and sword."[8]

GREEK VIEWS OF PROMOTION AND MARKETING

All value was thought to come from the land, and agriculture and keeping of sheep and cattle were considered the noble occupations of virtuous men. Manufacturing, such as it was, was not unrespected by the philosophers although it ranked well below agricultural pursuits. The trader, however, was considered a rather immoral person by nature and his status was low indeed, as is shown in the following quotation from Plato's *Republic:*

> Suppose, now, that a husbandman, or an artisan, brings some production to market, and he comes at a time when there is no one to exchange with him—is he to leave his calling and sit idle in the market place?
>
> Not at all; he will find people there who, seeing the want, undertake the office of salesman. In well-ordered States, they are commonly those who are the weakest in bodily strengh, and therefore of little use for any other purpose; their duty is to be in the market, and to give money in exchange for goods to those who desire to sell and to take money from those who desire to buy.
>
> This want, then, creates a class of retail-traders in our States.[9]

In another work ("Laws," XI), Plato seems to recognize the value of the exchange function, but he fears the power to monopolize and make inordinate gains which a trader with poor ethical standards might have. He takes a dim view of the ethical motivations of merchants, as is demonstrated by this quotation:

> Retail trade in a city is not by nature intended to do any harm, but quite the contrary; for is not he a benefactor who reduces the inequalities

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[8] Beard, *A History of the Business Man,* p. 29.

[9] Plato, *The Republic,* Book II, trans. Charles M. Bakewell (New York: Charles Scribner's Sons, 1928), p. 67.

> and incommensurabilities of goods to equality and common measure? And this is what the power of money accomplishes and the merchant may be said to be appointed for this purpose . . . they seek to satisfy our needs and equalize our possessions. Let us endeavor to see what has brought retail trade into ill-odor, and wherein lies the dishonor and unseemliness of it. . . .
>
> Cle. What do you mean?
>
> Ath. Dear Cleinias, the class of men is small—they must have been rarely gifted by nature and trained by education—who, when assailed by wants and desires, are able to hold out and observe moderation, and when they might make a great deal of money are sober in their wishes, and prefer a moderate to a large gain. But the mass of mankind are the very opposite: their desires are unbounded and when they might gain in moderation, they prefer gains without limit; wherefore, all that relates to retail trade, and merchandise, and the keeping of taverns is denounced and numbered among dishonorable things.[10]

If the best men were to follow the retail trade, the latter would be an honored occupation. But since the contrary is true:

> They must have as few retail traders as possible; in the second place, they must assign the occupation to that class of men whose corruption will do the least injury to the state; and, in the third place, they must devise some way whereby the followers of these occupations themselves will not readily fall into habits of unbridled shamelessness and meanness.[11]

Since retail traders will monopolize trade where they can and take what Plato viewed as excessive profits, the best plan, he thought, was to deny the right to be a merchant to the citizens of Athens—the latter were too valuable to be corrupted. Rather, trade was to be left to "metics" or strangers. Corruption of the moral fabric of the alien would do less harm to the state! The merchant was to be subject to strict regulatory powers; the guardians of the law were to determine the rate of profit and fix "a moderate gain to the retail trader."

Little is said about sales promotion *per se* by the ancient philosophers, but it is obvious that they were strongly against it. They believed that the seller should be passive in his business relations—that he should sell his goods without the exercise of persuasion in any form. "Puffery" or "praising the goods" was ranked as a crime of less magnitude, but in the same class as adulterations of products, as is shown by the following:

> He who sells anything in the agora [market] shall not ask two prices for that which he sells, but he shall ask one price . . . and there shall be no praising of any goods, or oath taken about them. If a person disobey this command, any citizen who is present, not being less than thirty years of age, may with impunity chastize and beat the swearer.

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[10] Plato, *Dialogues,* "Laws," XI, 917, 918, 919, 920, trans. B. Jowett (New York: Oxford University Press, Inc., 1937), II, 658-59.

[11] *Ibid.*

> He who is proved to have sold any adulterated goods, in addition to losing the goods themselves, shall be beaten with stripes—a stripe for a drachma . . . and the herald shall proclaim in the agora the offense for which he is going to be beaten.[12]

Thus, a merchant who "flattered his goods" or gave a guarantee with them (swore an oath) was in danger of being beaten by the nearest customer. Of course, there *were* merchants in ancient Athens, and many were probably *not* beaten; it must be remembered that Plato's "Laws" were proposed regulations by which the ideal state was to be governed. However, it is very revealing of the state of mind of the educated person in ancient Greece toward trading, and what we would today designate as selling one's goods.

Aristotle also seemed to take a dim view of trading. In his *Politics* we find the following observation:

> Of the two sorts of money-making one, as I have just said, one is a part of household management, the other is retail trade: the former is necessary and honorable, the latter a kind of exchange which is justly censured; for it is unnatural, and a mode by which men gain from one another.[13]

This statement is important, for it reveals an attitude that prevailed through the mediaeval period of history. The philosophers could not conceive of a mutuality of benefit from mere exchange of goods—that the buyer benefits because he gets something that is at the moment of greater utility to him than anything else on which he could spend money, and that the seller benefits from the margin out of which he derives his living. To the ancients, someone had to lose in any transaction. Unfair tactics were presumed (perhaps with some justification, as ethical standards of trade might well have been low in those days) as is shown in the following quotation from Cicero:

> Those who buy to sell again as soon as they can are to be accounted as vulgar; for they can make no profit except by a certain amount of falsehood, and nothing is meaner than falsehood.[14]

EARLY MEDIAEVAL ATTITUDES TOWARD PROMOTION

The fall of Rome in the sixth century A.D. all but destroyed the considerable trade and division of labor that had developed within the Roman Empire. Since the Empire disintegrated into many small warring states, or robber barons, trade was reduced to very low levels. The manor became the prevailing economic unit; the village with its mile of surrounding countryside was forced to become self-sufficient; and each man produced no surplus beyond his own needs. It was indeed an economy of scarcity. The simple crafts of the village produced enough to supply the village inhabitants themselves and to exchange for the scanty food surpluses of the surrounding farms. Each producer marketed his own goods; there was no need to sell them since every customer was close by and knew intimately what was available.

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[12] *Ibid.*, p. 657.

[13] Aristotle, *Politics*, Book I, No. 10, trans. Benjamin Jowett (London: Oxford University Press, 1905), p. 45.

[14] Cited in Lewis H. Haney, *History of Economic Thought* (New York: The Macmillan Co., 1936), p. 79.

Because the power of the Church over the conduct of life and its moral and ethical standards was supreme, we must look to official Church attitudes to determine how promotion was viewed at this time. As in Greek and Roman days, agriculture was still considered the basic industry of any economy, and it was praised. Manufacturing did not offend God; but trade could not be pleasing to the Diety. Material wealth was dangerous to spiritual welfare.

Church philosophers had the idea of the "just price" or "justum pretium." Value of a good was viewed objectively and roughly measured by the amount of labor that went into the article in question. If trading involved selling goods above this "just price," it was sinful. There was some recognition of the marketing functions of transportation, storage, and risk, a significant fact sometimes overlooked. Saint Thomas Aquinas, the repository of mediaeval thought, said that a man might charge more than he had paid for a good

> . . . either because he has improved the article in some respect, or because the price of the article has been changed on account of difference in time or place, or an account of the danger to which he exposes himself in transferring the article from place to place, or in causing it to be transferred.[15]

However, the mediaeval philosophers would not give recognition to the demand-creation function nor sanction the taking of profit any more than they would sanction charging interest on money.[16]

LATER MEDIAEVAL AND RENAISSANCE PERIOD

Under the stimulus of the Crusades and the reopening of commerce with the East, a revival of learning took place in Europe. Men also renewed their interest in the world about them. The self-sufficiency of the individual manor in time gave way to an exchange relationship with the town. Before towns came into existence, all manufacture had been for use, not for sale; goods were still made by hand. When division of labor took place, the output of the artisans of the town increased.

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[15] *Quaestio,* lxxvii, art iv, Opera XIX.

[16] Aristotle had declared, "Money is sterile, therefore money cannot breed money." This view was incorporated into the ethics of the early church; no Christian could charge interest for the use of money without his immortal soul being in jeopardy.

Goods were now made for sale rather than for use. The towns became local market centers, cutting across the old grouping of manors.[17]

As soon as goods began to be produced in anticipation of demand rather than on order, specialized people were needed to perform the marketing functions. Several varieties of middlemen evolved, but it is doubtful whether there were full-time middlemen at this time;[18] most middlemen, it seems, had not yet divorced themselves from a certain amount of manufacturing or even agricultural production.

The lines of demarcation among types of merchants in the Middle Ages were social as well as economic. The chapman or peddler was the first door-to-door salesman. He gathered up local surplus produce from the farmers and sold it to the townspeople, and, in turn, he bought manufactured goods from a town and carried them in a pack to sell to the country folk.[19] Above the peddler was the shopkeeper of the town. Next in line was the merchant, who is the lineal ancestor of the wholesaler and foreign trader; he not only retailed goods from his store, but also kept a warehouse from which he supplied other retailers. The merchant often did business over large areas, trading in foreign goods as well as in domestic products. Professor Hess gives the picture of Vicko Von Geldersen, a draper of Hamburg, who imported wholesale cloth and sold it both wholesale and retail.

> He made use of his connections with Bruges, which was the great cloth market, to send there for sale iron, honey, meat, butter and to get in return oil, spices, and figs, which were then sold to the smaller dealers in many cities in Germany. It was through the merchant class that modern partnership association and later corporations arose.[20]

One of the characteristics of later mediaeval life was the guild. The guild was an association of artisans or merchants in a given line who united for purposes of maintaining standards, keeping prices up, and keeping competition among members down. Guilds prided themselves on giving an official guarantee of the quality of goods to their customers. Hence, they made and enforced complicated regulations for the prevention of poor work. Renard gives a specific description of this close regulation as applied by several guilds:

> Hence the minute instructions prescribing the number of vats into which the Florentine dyer was to dip his materials and the quantity and quality of the coloring matters he was to employ; the size of the meshes in the nets which the Roman fisherman was to cast into the Tiber; the

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[17] C. G. Crump and E. F. Jacob, *The Legacy of the Middle Ages* (Oxford: The Clarendon Press, 1926), p. 435.

[18] *Ibid.*, p. 440.

[19] Ray B. Westerfield, *Middlemen in English Business* (New Haven: Yale University Press, 1915), p. 334.

[20] Herbert W. Hess, *Creative Salesmanship* (Philadelphia: J. B. Lippincott Co., 1929), p. 19.

> length of the pieces of linen to be woven by the Parisian spinner, regulated by that of the tablecloths . . . which covered the table of "Good King Philip"; of the color and size of the garments which the silk makers of Constantinople were to make.[21]

All that deceived the buyer was also forbidden.[22]

Although this aspect of guild regulation was most laudable, certain other facets were not. Invariably, the guilds united competitors; as a result competition was severely regulated and prices were fixed. Often a town or county was reserved exclusively for the members, and trade by strangers was prohibited. Lambert shows a typical regulation:

> No merchant who is not of the liberty of the city shall sell by retail any wine or other merchandise within the city or the suburbs.[23]

No member might cut prices below what the guild officials deemed "fair," i.e., fair to the members, not to the public.[24]

Of great interest to the student of promotion is the attitude of the typical guild, whether artisan or merchant guild, toward promotion. The guild member was to sit passively and wait for customers, since active promotion was considered unfair competition tantamount to "stealing" the other members' livelihood. Renard writes:

> Again, it was forbidden to monopolize customers, to invite into your shop the people who had stopped before a neighbor's display of goods, to call in passers-by, or send a piece of cloth on approbation to a customer's house. All individual advertisement was looked on as tending to the detriment of others. The Florentine innkeeper who gave wine or food to a stranger with the object of attracting him to his hostelry was liable to a fine. Equally open to punishment was the merchant who obtained possession of another man's shop by offering the landlord a high rent. Any bonus offered a buyer was considered an unlawful and dishonest bait.[25]

THE RENAISSANCE AND THE INDUSTRIAL REVOLUTION

Although its decline was fairly slow over the sixteenth and seventeenth centuries, the guild system was doomed by the Renaissance. The city economy was gradually replaced by the national economy. International trade became increasingly important, and foreign products began to compete with those of domestic manufacture. Rising standards of living caused consumers to demand a wider range of products than could be satisfied by the local artisans and traders. The freeing of men's minds gave rise to invention, which in turn made machine technology feasible. The outpouring of products initiated by the Industrial Revolution necessitated the tapping of distant markets. This, in turn, emphasized the importance of the marketing process and broke down the sanctions against freer trade and, significantly, against advertising and selling the goods. Capitalism, which had hitherto been confined to a few towns, received an impetus and developed with unexpected vigor. Renard says that "great" commerce, which spread over a great area, created exchanges and banks and great financial institutions for the circulation of capital.

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[21] Georges Renard, *Guilds in the Middle Ages,* trans. C.D.H. Cole (London: G. Bell & Sons, Ltd., 1919), p. 32.

[22] *Ibid.,* p. 34.

[23] J. Malet Lambert, *Two Thousand Years of Guild Life* (London: A. Brown & Sons, 1891), p. 94.

[24] *Ibid.,* p. 87.

[25] Renard, *Guilds in the Middle Ages,* p. 42.

> It formed great companies which undertook to exploit the resources of new countries, it accelerated transport and built up in the press a valuable instrument for the spread of information and for advertisement.[26]

In spite of the decline of the guild system, the influence of the businessman and merchant did not decline; rather, it was enhanced, for the newer trading classes rapidly acquired money and influence. In most Western European countries, the power of the central state was increasing. The respective monarchs used the businessmen as allies to consolidate and centralize their power over the old feudal landholding aristocracy; in return, the trading classes received privileges. At the same time, many old views were changing. Sales promotion was no longer considered immoral or unfair competition; the trader was no longer considered the least important member of society, the weakest one in the community who could do nothing more useful. Instead, he gradually gained power and status until by the seventeenth and eighteenth centuries his class could constitute a threat to the monarchical system itself.

As capitalism spread and grew throughout the Western world, new markets for more and more products were needed and the function of selling was enhanced. The apparent necessity for promotion brought about a reappraisal of the position of the salesman and the advertiser. The mid-Victorian gentlewoman still felt superior to those who made their money in trade; economists still criticized the promotion process (as is shown in Chapter 17); and many old-time manufacturers still felt it beneath their dignity to proclaim the merits of their products on the marketplace. However times were changing, especially in the New World, where a new order of society was emerging, and by the early part of the twentieth century most people accepted the salesman, advertiser, and publicist as useful and necessary members of society.

THE RISE OF ADVERTISING AND SELLING

The origins of both advertising and personal selling are lost prehistory. As noted above, archeologists have found evidence of substantial trade in the Stone Age indicating that there were not only merchants who sold goods via caravans and stalls in the marketplace, but also traveling salesmen or peddlers who journeyed with packs of merchandise on their backs.

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[26] *Ibid.*, p. 77.

There is a picture of a mediaeval peddler given by an illuminated manuscript of the fourteenth century.[27] The peddler's box contains such articles as vests, caps, gloves, musical instruments, purses, girdles, hats, cutlasses, pewter pots, and rabbit skins. The peddler, called the bagman or chapman in England, existed well into the 1800's in Europe.

The Yankee peddler was an important figure in America from the seventeenth century until the Civil War. He carried products of the rapidly developing factories of New England—scissors, tinware, pins and needles, and sometimes fancy groceries, patent medicines, and dry goods. Since money was scarce in the rural areas and on the frontiers, the peddlers often had to take farm goods in payment for their wares—furs, rags, knitting and crocheting, and produce. As the peddler became more affluent, he secured a horse and carried the goods in saddlebags rather than on his back. Later, when passable roads were built, many peddlers used a horse and wagon and could carry a veritable general store to the frontier. As Wright shows, these peddlers became expert in feminine psychology and the "soft sawder" of flattery and often practiced fraud and deception.[28] Yet, as Phillips and Duncan observe, the peddler, an important retail institution in the late seventeenth and early eighteenth centuries, introduced new goods into sparsely settled districts, thereby expanding the markets of the infant American industries, which were struggling for survival against the more advanced factories of Europe.[29]

We know relatively little of the settled merchant. Retail stores in Greece and Rome were set up in one area of the city (the agora of Greece and the forum of Rome) and apparently specialized in different lines of merchandise. They were much like the stalls seen to this day in Arabian markets, such stalls often being located before the merchant's home. When they could afford the expense, the merchants tended to expand into the house itself; the stall was roofed and enclosed on all sides, and since customers could no longer see the nature of the goods from the street, a sign was devised to let passers-by know what wares were sold within.

The first signs were apparently connected with some characteristic of the wares in question and by common usage acquired symbolic meaning. Henry Sampson says that signs over shops were the earliest form of written advertising:

> They go back to the remotest portions of the world's history. Public notices were also posted in the first days of the children of Israel . . . comparatively recently we have received intelligence that in Pompeii and

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[27] Clive Day, *A History of Commerce* (New York: Longmans, Green & Co. Inc., 1923), p. 113.

[28] R. Wright, *Hawkers and Walkers in Early America* (Philadelphia: J. B. Lippincott Co., 1927).

[29] C. F. Phillips and D. J. Duncan, *Marketing Principles and Methods* (Homewood: Richard D. Irwin, Inc., 1960), pp. 114-115.

> similar places advertising by means of signs and inscriptions was quite common. *The History of Signboards* quotes Aristotle, refers to Lucian, Aristophanes and others in proof of the fact that signboard advertisements were used in Ancient Greece.[30]

The Romans, like the Greeks, painted signs on walls of the forum to advertise gladiatorial combats and circuses. An example of such a sign was excavated from the ruins of Pompeii:

The Troop of Gladiators of the Aedil
  Will Fight on the 31st of May
There Will be Fights with Wild Animals
  And an Awning to Keep Off the Sun.[31]

Most signs, however, were made of terra cotta and set in pilasters at the front of shops.[32] A goat indicated a milk shop; a mule driving a mill signified a bakery; a schoolmaster whipping a boy marked the location of a school; a green bush over the door designated a wine shop.

Signs continued to be the most important advertising medium down through the Middle Ages to the nineteenth century. Since very few people could read, these symbolic and pictorial forms of communication were very important. During the mediaeval period in England, the following symbols indicated callings of activities:[33]

apothecary—Galen's head or two jars of colored water
barber—red and white striped pole
bookbinder—Bible and dove
bootmaker—golden boot
carpenter—three compasses
cheese store—dairy maid
money lender—three suspended golden balls
thread maker—three pigeons and sceptre
undertaker—naked boy and coffin
weaver—spinning wheel
draper—three nuns

In addition to these signs with conventional symbols a commercial establishment needed a sign to set itself apart from others in the same line of trade. Thus, an English street abounded with blue boars, black swans, red lions, flying pigs, cats in boots, kings' heads, pigs and whistles, and the like. As is true for a modern trademark, a combination of the unusual or the absurd made a greater impression (puss in boots, hog in armor). The large and abundant signs of London endangered the traffic beneath, since they sometimes fell, damaging or killing people. As a result, laws were established in many cities which attempted to regulate the size or number of signs; these were not very successful. As shown above, the mediaeval guilds also had strict regulations regarding the amount and kind of selling permitted to members. The guilds were able to effectively enforce these rules by fining or expelling offending members with impunity.

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[30] Henry Sampson, *History of Advertising from the Earliest Times* (London: Chatto and Windus, 1874), p. 19.

[31] Frank S. Presbrey, *The History and Development of Advertising* (New York: Doubleday & Company, Inc., 1929).

[32] *Ibid.*

[33] Sir Ambrose Heal, *The Signboards of Old London Shops* (London: B. T. Basford, Ltd., 1947).

The early mediaeval merchant (around 1000 A.D.) was not the specialist he later became. He might be a wholesaler and retailer, transporter and peddler, and often an artisan, too.[34] Permanent trade by settled retailers was confined almost entirely to the largest cities.[35] The population for the most part lived in villages too small to support a permanent trading class; their wants had to be supplied by the itinerant peddler and by periodical fairs and markets. The latter were very significant distributive agencies in the early mediaeval period. With the growth of the population of Western Europe and the increased urbanization incidental to the Renaissance, the wholesaler and retailer became ever more important as marketing institutions.

By about 1600 A.D. wholesaling split off from retailing in Europe.[36] True wholesalers first appeared in Italian cities, then spread north of the Alps. About the same time, the commission merchants evolved. These brokers bought and sold in behalf of others without themselves owning the goods. They also sometimes acted as collectors of money for others or as freight forwarders, storing and transporting goods for their principals.[37]

One more important agency of selling, the huckster or crier, must be analyzed before the impact of the printing press is explained. Even in the days before the discovery of means of disseminating sound electronically, the human voice was an important agency for commercial communication. No one knows just when it started, but the early Hebrews were acquainted with the hawker, who was probably found in Asiatic and Near Eastern cities before the dawn of written history. The settled merchant most likely shouted from his shop to attract the attention of passers-by. Hucksters took their wares through the city streets as did their relatives, the peddlers, and shouted their wares to the householders. Later on, the town crier evolved. He did not take wares through the streets with him, but he shouted about them, informing the populace that a store had just received a new shipment of goods from the East or that a certain tavern had good wine at a modest price. Many criers were employees of the town or city in which they operated, and they formed guilds just as the other trades. The government paid these people to act as newspapers, to inform the populace of the latest royal decrees, laws, and other matters that the civil authority wanted the people to know about. The town criers would "commercialize" or supplement their incomes by accepting advertising messages from town merchants and others and collecting a weekly amount from the "sponsors" in return. At one period in France a public crier was licensed to cry the wares of any wine shop not otherwise supplied with a crier and to collect a stipulated fee for his services, whether the proprietor wanted them or not!

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[34] Day, *A History of Commerce,* p. 38.

[35] William Clarence Webster, *A General History of Commerce* (Boston: Ginn & Company, 1918), p. 101.

[36] Day, *A History of Commerce,* p. 141.

[37] *Ibid.,* p. 142.

In Greece, the public crier still held his place, but he was more accomplished and usually had musicians with him to entertain the public between messages. This advertising "commercial" has come down to us from ancient Athens:

For eyes that are shining, for cheeks like the dawn,
For beauty that lasts after girlhood is gone,
For prices in reason, the woman who knows
Will buy her cosmetics of Aesclyptoe.[38]

If we were suddenly carried back to a mediaeval city, our ears would be deafened by the cacophony of the hawkers and criers in the streets. Each shopkeeper posted a boy or apprentice at the door to shout his wares. Itinerant hucksters made the narrow streets a bedlam with their cries, "Come buy, come buy of me." Charles Hindley, who made a study of the cries of London, gives a number of traditional cries heard for centuries in old England:

Hote pyes hote!
One-a-penny, two-a-penny, hot cross buns!
One-a-penny, two-a-penny, hot cross buns!

Dust O! Dust O! Bring it out today!
Bring it out today. I shan't be here tomorrow!

I sweep your Chimnies clean, O!
I sweep your Chimnies clean, O!

Buy my Diddle Dumplings, hot! hot!
Diddle, Diddle, Diddle Dumplings, hot!

Maids, I mend old Pans or Kettles,
Mend old Pans or Kettles, O!

Muffins O! Crumpets! Muffins today!
Crumpets O! Muffins O! Fresh today![39]

Mr. Wood recounts crys familiar to early America. In New York, a peddler's cry was:

Clams, My clams I want to sell to-day,
The best of clams from Rockaway!

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[38] James Playsted Wood, *The Story of Advertising* (New York: The Ronald Press Company, 1958), p. 18.

[39] Charles Hindley, *A History of the Cries of London* (London: Charles Hindley [the Younger], 1884).

Street cries in Colonial Philadelphia have come down to us:

> Catfish! Catfish! Buy any catfish!
> Rags? any rags? any wool rags? any rags?

The waffleman blew on his bugle, and called:

> Waffles! Fresh baked waffles! Waffles!

then gave another blast on his bugle.[40]

Selling through the raised voice, probably the very earliest of all advertising, has all but disappeared from the streets of America. But many people today still remember the peddlers and hucksters of their youth—the rag man, the dealer in old metal, the fruit and vegetable huckster. And when we travel through Southern Europe we may still hear this most ancient of all advertising. Today its place has been taken by the electronic media, radio and television.

EARLY PRINTING STAGE, 1450-1850

The invention of printing from metallic type by Johannes Gutenberg of Mainz, Germany, is a landmark in the history of advertising, as it made possible newspapers, magazines, direct mail, and the other print media so important today. Long before Gutenberg's time the Chinese and Koreans had been printing illustrations and text cut on wood blocks. They had gone so far as to invent movable types of metal and porcelain, but they could do little with them because of the complexity of their language.

Until the invention of the printing press, books were copied laboriously by hand on parchment or vellum in monasteries. A reader would dictate from the manuscript of book to be reproduced, and monks would slowly copy the material with quill pens. The resulting books were so expensive that few could afford them, and, because of widespread illiteracy, even fewer were capable of reading them.

The printing press was an important part of the Renaissance, the liberation of men's minds and the revival of learning. In fact, it made it all possible. Material now could be printed inexpensively on cheap paper and disseminated widely throughout the culture. Education was stimulated, since poor scholars could afford books and other materials of instruction that previously would have been beyond their means. Increased rates of literacy, in turn, further broadened the market for the product of the printing press.

With the development of the printing press the center of advertising development shifted from the continent to England and made its first appearance in 1480 in the form of *Siquis,* so named because it started out "If anybody desires or knows," a phrase copied from ancient Roman notices. Such notices were first posted on the doors of the Cathedral by young ecclesiastics advertising for a vicarage. In time they were posted wherever people were likely to assemble and used by professional men and later by all kinds of individuals.

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[40] Wood, *The Story of Advertising,* pp. 21-22.

English handbills, shopbills or trade cards were extensively used during the seventeenth century. These announcements, rather ornate, much like our book plates, carried a message such as shown in Figure 2.1.

In Paris, the *Journal general d'affiches* began publication in 1612. The *Public Register for General Commerce* appeared in England about the same time. The first newspapers were want-ad media. In most towns and cities in the sixteenth and seventeenth centuries there was a commercial register kept in the local town hall. It was a big book in which those who wanted to sell and those who wanted to buy entered their notices. By registering offerings and wants in one place, buyers and sellers could get

W. Hogarth
ENGRAVER

At Ye Golden Ball
Corner of Chadbourne Alley
Little Newport Street

James Figg
MASTER OF
YE NOBLE SCIENCE OF DEFENCE
on ye right hand in Oxford Road
near Adam and Eve Court
TEACHES GENTLEMEN
YE USE OF YE SMALL
BACKSWORD
AND QUARTER STAFF
at home & abroad

Figure 2.1. *Typical messages on old English handbills.*

together for their mutual benefit. Smart printers began to copy these "for sale" and "wanted" notices from the register, set them in type, and sell the "papers" to the public, thus saving the latter the trouble of going to the register. With the passage of time the public ignored the register and dealt directly with the printer of the paper.

When the printers had extra space, they would fill it by publishing court events, ship arrivals, or other items of public interest. They found that this news helped to sell more papers and began to feature it along with their advertisements. Hence, the earliest newspapers started out as advertising media and added the news almost as an afterthought. Many British newspapers have advertisements on their front pages to this day, and such ads did not disappear from the front pages of American newspapers until the Civil War.

Magazines did not appear until more than a century after the first newspapers. These literary papers had a small circulation, as they appealed to a small, highly literate leisure class who had a taste for poetry and fine literature. Since the subscription rates were quite high for the incomes of the time, these early magazines derived substantial profit from their subscription revenues; they carried no advertising at all. Eventually, certain advertisers urged the publishers of the literary papers to accept their advertising, since the audience reached were deemed ideal prospective buyers for the books, travel facilities, and insurance policies which they had for sale. The publishers accepted this advertising, as it greatly increased their profits and cost little more to print. However, they could always be most selective of what they ran, and insisted that the material be relegated to the back of the magazine and be clearly labeled "advertisements." Later, they put a few ads in the front of the book, too. It was not until the twentieth century that most magazine publishers altered what is now known as the National Geographic format. Of course, with rising costs and circulations, publishers found they could no longer live from the subscription sale revenue, and they solicited advertising quite aggressively.

Among the earliest advertisers by handbills or in the new newspaper medium were the coffee houses. The two earliest advertisements we have are those that pioneered the introduction of coffee to the English public in 1657.[41] The first was in the *Public Adviser,* a newspaper, and the second was in the form of a handbill.

> In Bartholomew Lane, on the back side of the Old Exchange, the drink called coffee which is a very wholesome and physical drink, has many excellent vertues, closes the orifice of the stomach, fortifies the heat within, helpeth digestion, quickeneth the spirits, maketh the heart lightsome, is good against sore eyes, coughs or colds, rhumes, consumptions, headache, dropsie, gout, scurvy, King's evil, and many others, is to be sold both in the morning and at three of the clock in the afternoon.

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[41] Frank Presbrey, *The History and Development of Advertising* (New York: Doubleday & Company, Inc., 1929), pp. 48-49.

> The Vertue of the Coffee Drink first publicly made
> and sold in England by Pasqua Rosee
>
> The grain a berry called coffee groweth upon little trees only in the Deserts of Arabia. It is brought from thence and drunk generally throughout all the King's dominions.
>
> It is a simple innocent thing compounded into a drink by being dried in an oven and ground to powder and boiled up with spring water. A half pint is to be drunk fasting an hour before and not eating an hour after and to be taken as hot as possibly can be endured. It will never fetch the skin off the mouth or raise any blisters by reason of the heat.
>
> The Turks drink at meals and other times is usually water. Their diet consists much of fruit, the crudities whereof are very much corrected by this drink.
>
> The quality of the drink is cold and dry and though it be a dryer it neither heats nor inflames more than hot porridge.
>
> It closeth the orifice of the stomach and fortifies the heat within, it is a good help to digestion and is therefore of great use to be taken about 3 or 4 o'clock in the afternoon as well as in the morning. It quickens the spirits, makes the heart lightsome, and is good against sore eyes, the better if you hold your head over it and take it the steam way.
>
> It suppreseth fumes exceedingly and is therefore good against the headache and will stop rhumatism and prevent and help consumptions and coughs of the lungs.
>
> It is excellent to prevent and cure dropsy, gout, and scurvy.
>
> It is a drink for people in years or children that have running sores upon them.
>
> It will prevent miscarryings in child bearing women.
>
> It is a most excellent remedy against the spleen, hypocondriacs, winds or the like. It will prevent drowsiness and make one fit for business, if one have occasion to be watchful for it will hinder sleep for three or four hours.
>
> It is observed in Turkey where this is generally drunk that they are not troubled with stones, gout, dropsie, or scurvy and their skins are exceedingly clear and white.
>
> It is neither laxative or restringent.
>
> Made and sold in St. Michaels Alley in Cornhill by Pasqua Rosee at the Sign of his own Head.

The above advertisements are good examples of the exaggeration and lack of restraint that characterized early advertising. No coffee company today could make these claims—they would not get by the Federal Trade Commission, for one thing!

We owe many modern advertising developments to John Houghton, often called "Father of Publication Advertising." In 1692 he established a periodical called "A Collection for Improvement of Husbandry and Trade" and was very active in the introduction of new ideas for getting attention. He specialized in publishing advertisements from various trades and personally recommended them—a policy that is followed in a modified form by many of our large publishing houses today. It was at this time, also, that the interdependence of advertising and newspaper development was first recognized.

The growth of advertising in England during this period was hampered for two reasons. First, in 1712, the English Parliament levied a tax on all advertisements. This tax at one time averaged 84 cents per advertisement and was not repealed until 1853. Secondly, English publishers were unwilling to break away from the traditional single-column want ad type of advertisement. The following figures give a good idea of the effect of the tax and lack of flexibility on the growth of newspaper circulation in England:

	Population 1850	*Number of Papers*	*Annual Circulation*
United Kingdom	27,000,000	500	91,000,000
United States	23,000,000	2,302	422,000,000

Comparison of the readers' cost of newspapers in each country clearly shows the influence of advertising on the development and circulation of newspapers. In the United Kingdom the yearly subscription rate for newspapers ranged from $30 to $35 for a daily, and $9 to $12 for a weekly; in the United States the average annual cost was $5 for a daily and $2 for a weekly. These high costs were improved towards the end of the nineteenth century by the invention of the steam printing press and the development of better typography, but English advertising still grew at a much slower rate than American advertising during the period.

AMERICAN ADVERTISING DURING THE EARLY PRINTING PERIOD

Print media started in America with the arrival of the first printing press in Boston in 1650, nearly two hundred years after Caxton introduced it to England. This is a striking example of the poor means of communication and transportation of that era. The first newspaper published in the colonies was called *Publick Occurrences, Both Forreign and Domestick* and was printed by Benjamin Harris in 1690. Unlike its English and French predecessors, it contained no advertising, and was confined to activities of the government. The newspaper was promptly suppressed.

In 1704 Cambell made the next attempt to publish a newspaper, *Boston News Letter*. The letter was a chronological presentation of world events, and when it was sold by its founder in 1722, its news stories were 13 months behind those appearing currently in London papers.

Two other men were prominent in early advertising development in America, Franklin and Zenger. Benjamin Franklin, founder of the *Pennsylvania Gazette,* had a great influence on the improvement of typography, including the separation of advertisements from each other by white space, the development of the 14 point headline, and experimentation with small cuts and ornamental borders. He also believed in setting type in simple, legible styles, rather than in the florid, eccentric styles of type frequently employed by contemporary printers.

Peter Zenger, who established the *New York Weekly Journal,* was an early champion of freedom of the press. He succeeded in arousing sufficient public support in early issues of the paper to prevent the government from convicting him for his frank criticisms of its policies. His paper was the first to set half-page advertisements, or display ads. He also extended the use of the fancy border.

While attempts to tax advertising in America failed, growth of newspapers and advertising was greatly hindered by the lack of a sufficient supply of cheap paper. All paper came from England prior to the Revolution, and it continued to be imported from abroad until the War of 1812 stopped the supply entirely. Domestic paper manufacture was stimulated, but it was slow in developing. However, between 1825 and 1850 better paper-making machinery was evolved and the machine press was adopted. The rapid extension of the rail network enabled manufacturers to sell in ever more distant markets at competitive prices, and our rapid industrialization created ever-expanding types and quantities of goods for which customers had to be found. All these factors gave great impetus to advertising.

PERIOD OF EXPANSION, 1850-1918

This period was marked by the abolition of the tax on English advertising, the development of cheap paper-making methods in America, increased activity in transportation and manufacturing, expanded distribution and circulation of newspapers, and great improvement in the latter's content and typography. The same years witnessed the rise of another major advertising medium, the weekly and monthly magazine, and the emergence of the first crude advertising agencies. A rapid rise in literacy created demand for the mass media that appeared toward the end of the period—the great metropolitan newspapers, which were edited for the semi-literate and exploited the sensational, and the pulp magazines, of which the infamous "dime novels" that our grandfathers read behind the barn are examples.

DEVELOPMENT IN ENGLAND

The year 1850 marked the Golden Era in English advertising. The abolition of the tax brought increased advertising, lower prices, and the trend toward more illustrations, better typography, and larger advertisements. It was also characterized by the development of organized bill poster advertising and the beginning of the use of direct mail advertising. However, conservative policies still prevailed, and the majority of display advertising was confined to posters which, in fact, have been England's major contribution to advertising in modern times.

In 1896 Alfred C. Harmsworth started the *London Daily Mail,* one of the first of the great mass media, which sold at a low price, appealed to popular taste in reading matter, and thereby attracted many readers.

Today the *London Daily Mail* claims a circulation of more than two million. Harmsworth and the *Mail* also contributed to the introduction of American forms of display and the department store type of advertisement.

During this period the English advertising agent first made his appearance, but English agencies have never reached the height of development achieved by American agencies. Since the arrival of the agent, no striking developments have taken place in English advertising, except for a gradual improvement in the preparation of copy and in the technical construction and reproduction of advertisements. To this day some English newspapers carry classified advertisements on the first page, and there are few magazines that compare with America's famous weeklies.

EXPANSION PERIOD IN THE UNITED STATES, 1850-1918

Probably the most significant factor in this third period of advertising development in the United States was the influence of the Civil War. The intensity of interest in war news drove advertising from the first pages of our newspapers, and it never returned. Moreover, the period after 1865 saw a remarkable increase in education and literacy, a gradual increase in leisure time that stimulated demand for more reading matter, a tremendous upsurge in newspaper circulation, and the beginning of the modern magazine. This era also saw the fruition of the Industrial Revolution—a pouring out of factory-made goods, the entrance of women into the work force, an increase in average purchasing power, and the rapid development of railroads, electricity, and telephones. The mail order catalog grew to meet the needs of rural dwellers. All these factors united to create a favorable environment for the development of advertising.

The advertising agencies started in the form of space brokers who bought space in bulk and retailed it to advertisers. Their main service initially was the selection of media and the purchase of space therein; eventually they also wrote copy and supplied art work for their clients. From the beginning they furnished expert knowledge in such areas as the purchasing of typography and engravings. George P. Rowell, one of the most prominent agents of the nineteenth century, brought out the first newspaper directory, which included 5,411 publications. As a result, the secret agency lists were destroyed, and while the publishers opposed the directory because they thought the circulation figures too low in comparison with their individual claims, a standard of value for space was established—something all but impossible to obtain in many foreign markets to this day.

A word must be said about the influence of patent medicine advertising during this period. This industry was the greatest source of advertising revenue prior to the Civil War, and it was even more important in the period that followed. Of course the major sources of advertising revenue were retail stores; amusement companies (circuses and theaters) and travel organizations (rail and steamship lines) were also important users of advertising. However, the predominance of patent medicine advertising with its false claims and unattractive illustrations gave advertising a bad image that it took many decades to erase. Conservative manufacturers of the time refused to advertise because they did not want to be identified with the medicine men, lottery promoters, and circus enterprisers. National advertising could have developed much sooner in this country had this unfortunate use of advertising by the "fast buck" enterprisers not taken place.

Two other factors were important—the attempt by Powers and Fowler to stimulate honesty in advertising copy, and the great improvement in the construction of advertisements and appeals. The latter resulted from the establishment of *Printers' Ink* and the development of modern retail advertising by John Wanamaker and A. T. Stewart. These groups emphasized the importance of consumer psychology as the basis of the advertising appeal, improved standards of typography, and demonstrated the value of large space representation and of the exchange of ideas and criticisms among those interested in the advertising field.

IMPORTANT DEVELOPMENTS IN ADVERTISING, 1880-1890

This period was characterized by further expansion of the development which began immediately following the Civil War, change of policy in the selling of space, definite effort to organize American advertising men, improvements in advertising production techniques, and broad extension of the use of advertising.

Due to the influence of Hearst, Pulitzer, and others, the method of payment for space was changed to the flat rate based on actual circulation instead of the arbitrary charges that had previously existed. The newspapers also started to make an effort, under the leadership of *The New York Times,* to get a better class of news, and, in this connection, the idea of specialized pages devoted to women's items, sports, and other similar features arose.

A second important feature was the development of the halftone, which enabled better art work in the reproduction of illustrations and faster preparation of plates. Photographic illustrations could now be employed; these were destined to all but replace other forms of art work in the mid twentieth century. Photoengraving thus stimulated the development of display advertising in all print media and made feasible the use of large, full-page formats.

There was also a marked development in advertising copy of slogans such as "it floats," and "press the button, we do the rest" and a growth of jingles and human interest copy. Trade characters, such as Jim Force, Sunny Jim, and the Campbell Kids, appeared.

Finally, we have the beginning of national advertising of trademarked articles by a tremendous number of firms, of which those listed below are only a few. Many of these companies are still prominent advertisers today, a fact which demonstrates the value of consistent national advertising. Some, such as Sapolio, are no longer with us; in this case the owner of the brand decided to stop advertising and to ride on momentum already acquired! The following are some of our earliest national advertisers:

Royal Baking Powder
Bakers Cocoa
Ivory Soap
Packer's Tar Soap
Sapolio
Eastman Kodak
Pears' Soap
Williams Shaving Cream
Sozodent
Pepsodent
Steinway piano
Victor Talking Machine
Quaker Oats
Grape Nuts
Rogers Silverware
Smith Brothers Cough Drops
Sloan's Liniment
Coca Cola
Campbell's Soups
Waterman Fountain Pens
Douglass shoes
Wagner corsets
Victor bicycles

IMPORTANT DEVELOPMENTS IN SELLING, NINETEENTH CENTURY

In every period discussed thus far, there have always been men who made personal selling an important part of their duties—traders, peddlers, merchants, retailers, and others. Few of these, however, were salesmen as we think of salesmen today.

The most important development of the nineteenth century, from the standpoint of selling, was the rise of the independent salesman. He emerged as a creature of the Industrial Revolution. Before the latter, goods had been made in small quantities by hand; the major problem was how to make sufficient goods to satisfy demand. With the mechanization of manufacturing, the coming of the age of water power and steam, and the division of labor, industry moved from rural cottages and workshops to urban factories; the big business corporation evolved. The tremendous outpouring of new goods meant that manufacturers had to become aggressive in seeking new markets and outlets for their products. Some used brokers, manufacturers agents and selling agents, but many found that these middlemen did not give sufficient push to their products. Manufacturers began to assume the function of demand stimulation. This led, on the one hand, to the rise of national advertising, noted above, and on the other hand, to the recruitment and training of aggressive salesmen who became commercial travelers or drummers.

English cloth manufacturers of Manchester were sending commercial travelers to all parts of the country to sell their cloth. These men, unlike the peddlers or chapmen, did not carry stocks of the product, but sold from samples and transmitted orders back to the factory.[42] An American observer gives the following portrait of the salesman in 1838:

> The commercial traveller is generally a young and a very shrewd individual, possessing great suavity of manner, and a remarkable ability to suit himself readily to all of the varied moods of his various customers. Furnished by his principles with choice samples of their goods, he steps into his chaise, or the stage, and with a light heart commences the circuit. At each town upon his route he tarries at the principal inn, where he is sure to find a hearty welcome. After thus ensconcing himself in comfortable quarters he arranges his samples and if it be forenoon puts them under his arm and issues forth to visit the shopkeepers. Wherever he goes, he is met with cordiality. Like all travellers, he is full of anecdotes, and has at his command the rarest news of the time. None are more glad to see him than the shopkeepers' wives and daughters. To these, he imparts the most recent scandal and the latest fashions, affording them subjects for gossip until his next visit to the town. To the tradesman, he lauds his samples with all the eloquence and ingenuity of which he is capable, and seldom leaves without making considerable bargains.[43]

According to the United States Census there were 7,262 commercial travelers enumerated in 1870. This number had increased to 58,691 by 1890, 92,919 by 1900, and by 1930 stood at nearly one quarter of a million.[44] Thus, this type of selling had a remarkable growth during the latter part of the nineteenth and the early part of the twentieth centuries.

Another kind of salesman who appeared in the nineteenth century was the drummer. Until the Civil War it was common for retailers to come to the great jobbing centers of the country, such as New York, Boston, St. Louis, and Chicago, once or twice a year to purchase their requirements. Increasing competition among wholesalers led the latter to employ men to intercept these retailers when they came to the city and persuade them to come to their particular establishments.[45] In England these "hookers-on" appeared early in the nineteenth century and received a commission of 1 per cent of the value of goods purchased by their customers.[46] In the United States these drummers frequented the hotels where the out-of-town buyers were wont to stay. They spotted a prospect, engaged him in conversation, plied him with food and drink, and attempted to steer him to their wholesale houses.

After the Civil War, as transportation conditions improved, it became feasible to send these salesmen out to contact retailers in their places of business, take orders, and ship goods by rail.[47] They used high pressure selling techniques, were colorful, and had doubtful morals. Unfortunately they left a bad impression on the selling field from which it has not yet recovered. As Nixon says: "They came to stand in the public mind as symbolic of a certain type of selling based upon personal appeals, entertainment, gifts, exploitation of passion, and weakness. Like the Yankee peddler, they captured the popular imagination, and many tried to emulate their methods."[48]

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[42] Stanley C. Hollander, *Sales Devices Throughout the Ages* (New York: Joshua Meier Co., 1953), p. 8.

[43] H. K. Nixon, *Principles of Selling* (New York: McGraw-Hill Book Co., Inc., 1942), p. 30.

[44] *Ibid.*, p. 33.

[45] Ernest L. Bogart and Donald L. Kemmerer, *Economic History of the American People* (New York: Longmans, Green & Co., Inc., 1942), p. 631.

[46] George Burton Hotchkiss, *Milestones of Marketing* (New York: The Macmillan Company, 1938), p. 156.

AMERICAN ADVERTISING, 1900-1918

At the start of the twentieth century, American advertising was well advanced. Advertising appropriations for a single concern, Royal Baking Powder, had risen to the then surprising sum of $500,000 a year. *Ladies' Home Journal* boasted a circulation of 800,000 and a single-page advertisement on the back cover of that magazine cost $4,000. Two- and four-color illustrations made their appearance, but were not found very frequently in the first two decades of the twentieth century. Greater attention was paid to advertising psychology and the importance of appealing to the woman reader.

We have seen above how national advertisers were slow to use advertising because of its early identity with patent medicine sellers, flamboyant circus advertisers, and others of low ethical standards. Nineteenth century business men believed that a good product would speak for itself—knowledge of it would diffuse by word-of-mouth through the population. Some of them considered the act of advertising to be akin to a confession of weakness; if the product were not faulty or fraudulent in some respect, one would not have to advertise it.

This all changed during the first two decades of the twentieth century. Producers observed the startling success of the pioneer national advertisers and noted that most of them were not fly-by-night concerns, but honest, substantial enterprises. Moreover, the refinement of printing techniques made it possible to produce an attractive advertisement with clean, dignified feeling tone which reflected well on the company sponsoring the message. The use of color enhanced the improvement further. Considerations of marketing strategy, however, were probably the strongest in attracting the "big money" into advertising.

Note the typical marketing channel that prevailed in the nineteenth century in the following diagram:

Producer ——→ Wholesaler ——→ Retailer ——→ Consumer

The wholesaler was in the best strategic position then. Since goods were largely undifferentiated, unbranded, and unpackaged, the retailer had to take what the wholesaler supplied him. The consumer had no way of knowing which manufacturer's brand of a product she was getting from the retailer. The wholesaler could play one manufacturer against another and drive hard bargains in regard to price and other terms of sale. Quality tended to suffer under such conditions.

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[47] Bogart and Kemmerer, *Economic History,* p. 632.

[48] Nixon, *Principles of Selling,* p. 32.

One can imagine Mrs. Jones and her trip to the grocer to buy a pound of crackers. The grocer removed the crackers from a big barrel, weighed them on his scale, and put them into a paper bag. A few days later Mrs. Jones, pleased with the product, returned to the store and asked for more of the same crackers. In the meantime, however, the original barrel of crackers was sold out, and the wholesaler had sent another barrel. The latter was inferior to the first barrel, and Mrs. Jones was most disappointed with them. But there was nothing either she or the retailer could do; the product was undifferentiated, unbranded. The consumer had no way of repeating a favorable brand experience or of avoiding an unsatisfactory purchase. Any good will generated by a favorable experience went to the retailer—but so did ill will! The wholesaler made the suppliers compete purely on a price basis. This tended to keep profit margins in manufacturing low and plant size small, and to sustain many marginal firms. At the same time, profits in the jobbing trades were quite high.

When national advertising appeared, manufacturers realized that brand control meant channel and price control. Now, the biscuit manufacturer adopted a trademark; he packaged his product and made sure that his brand carried through to the consumer. He had the power, through advertising, of short-circuiting his marketing channel by building up brand preference in the minds of the consumer. If enough consumers asked for the brand, retailers would be obliged to carry it; in turn, they would demand it from the wholesalers, and the latter would be obliged to stock it. Wholesalers no longer could play one producer against another for price concessions so easily or substitute one make for another with impunity. Indeed, some manufacturers built up such a strong consumer demand by advertising that they could dictate prices and margins to their wholesalers and retailers. Finally, by using national advertising, manufacturers could contact vast areas—market areas not formerly covered—at a low cost and build a much greater sales volume than before. This, in turn, enabled further manufacturing economies from scale, especially for industries characterized by large overhead or fixed costs of production.

In category after category of goods—packed foods, drugs, appliances, automobiles, and others—the eventual result was to shake out the small unit and the marginal firms, and to concentrate business into the hands of a few large companies. This enabled these concerns, skilled national advertisers that they were, to secure economies of scale in some cases. At the same time it brought about administered prices which were so "sticky" that necessary adjustments to changing demand situations were not rapid enough—prices which afforded an element of monopoly profits. Many economists felt that, in too many lines of business, companies were competing on a nonprice basis, emphasizing minor differences in the product through advertising and selling to justify quasi-monopoly prices.

Yet the strangle hold of the trade channel was broken. No longer was the wholesaler able to dictate, on the one hand, to the manufacturers and, on the other, to the retailers. The consumer, through the simple expedient of always asking for a certain brand, could be fairly certain of getting the same product time after time. The producer was given the incentive to standardize and maintain quality, for the resultant good will redounded to his favor and gave him a stability of demand on which he could depend and lay plans for the future. As a result, investment risk was reduced, and the enterpriser was more willing to sink his capital into plant, machinery and equipment. Through the instrumentality of advertising and promotion, the enterpriser could develop a large, stable market position in a much shorter time than before and, therefore, was more willing to take risks. This factor helped in making the American economy dynamic, for since the producer could introduce new products or significant product improvements quickly and impressively, the consumer became accustomed to change. Finally, the millions of new dollars spent by national advertisers gave substantial financial support to all of the advertising media. This support enabled them to develop, expand, and mature more quickly than they would have without the secure economic base afforded them by advertising.

The year 1905 is very important in the history of advertising because it marked the entrance of the magazine as a serious competitor of the newspaper. In that year the subscription price of the Munsey magazine was reduced from ten to five cents per copy, and at the same time a substantial reduction was made in the unit cost of advertising space. This policy was followed by many of the other leading publishers, and the circulation and advertising lineage of magazines increased rapidly. Also, at this time an improved technique of reproducing illustrations and printed matter on car cards and outdoor advertising was devised, and this branch of media also began to develop.

One of the most important events during this prewar era was the Truth in Advertising movement, which was especially pronounced during the years 1911-13. For many years there had been considerable agitation to improve advertising standards, and it finally took concrete form in the establishment of several agencies to encourage more truthful advertising. Among these were the campaign by *Collier's* against quacks, the establishment of Better Business Bureaus in many of our more important cities, the formation of the American Association of Advertisers, and the organization of the Audit Bureau of Circulation, which gave greater authenticity to the circulation statements of newspapers and magazines. To these should be added the powers given to the Federal Trade Commission to regulate unfair competition, misbranding, and unwarranted advertising statements and claims. Finally, attention should be drawn to the efforts of our large advertising agencies to improve the general level of ethics in the advertising business.

INFLUENCES OF THE TWO WORLD WARS ON ADVERTISING

During both wars there was a great increase in general business activity. Yet, in relative terms, advertising expenditures tended to decline. For example, by the height of World War II advertising expenditures as a per cent of the national income had dropped from the interwar average of 3 per cent to about 1.5 per cent. The same drop is believed to have taken place during World War I. The shortage of goods for civilian consumption and the large percentage of the gross national product absorbed by the government for war purposes explain the relative decline.

Advertising was used extensively in both wars to rally people behind the war effort. Cleverly portrayed and worded propaganda in such forms as posters, newspaper publicity, and car cards, created sentiment to support the cause of the United States against the common enemies. These devices helped to boost the sale of billions of dollars of war bonds and stamps, to secure massive cooperation for the various conservation programs, such as victory gardens, fat saving, and tin recovery, and to enroll many volunteers for the Red Cross, the selling of bonds, and the like. During World War II the advertising industry formed the War Advertising Council. Business and the advertising industry donated more than one billion dollars worth of advertising time and space to help solve more than 150 home front problems. The remarkable success of this wartime publicity in marshaling support for the war effort during World War I opened the eyes of business enterprise to the great potentialities of effective advertising, and thereby stimulated even greater use of advertising in the interwar period.

The excess profits taxes which were in effect during both wars had an interesting impact on advertising. Reasoning that they might as well spend profits on advertising as pay them to the government, many firms during both wars advertised somewhat more than they otherwise would have. Many engaged in institutional campaigns rather than in product advertising because of wartime shortages of products; they found that institutional advertising was quite beneficial in improving public attitudes toward the company and the products made by the company. This experience firmly convinced many advertisers of the utility of institutional advertising and increased the money spent for this purpose, particularly after World War II.

INTERWAR DEVELOPMENT

Although advertising, like other kinds of business, suffered from the effects of the depression of 1921, it recovered very rapidly and exhibited a fast growth from 1922 to 1929. These years were a period of little scientific evaluation or control of expenditures. Firms had the funds, saw competitors advertising heavily and doing well, and therefore followed suit. Total advertising expenditures rose from around $500 million in 1915 to $2.25 billion in 1929. By the late 1920's there were a number of firms spending more than $1 million a year on advertising; this was a great contrast with the meager expenditures before the war.

A substantial increase in the amount of advertising lineage in magazines and newspapers accompanied a corresponding growth in the circulation of such publications and the charges for space. A large proportion of the above increase was distributed among periodicals and newspapers, which were in existence at the start of the decade. However, a considerable part of the growth of revenue and circulation was the result of the introduction of several new magazines—*Time, Life, Liberty, Fortune,* and *Esquire* were examples of fresh approaches in journalism. In the larger cities the number of newspapers remained the same or decreased through consolidations. However, because the population of several medium-sized cities grew rapidly, the total number of important newspapers increased.

The most significant development in the field of advertising media was the introduction of radio in the 1920's. Since the radio was largely experimental from 1921 to 1927, expenditures were estimated to be only $3 million in the latter year. When broadcasting networks were formed after 1928, it became a national medium and, in spite of the Great Depression, grew all through the 1930's. In 1934 advertisers spent more than $75 million in the medium.

Advertising agencies continued to grow in the interwar period. They assumed functions in addition to their traditional copywriting, space buying, production, and layout work; they provided radio departments, marketing research, merchandising, public relations, and other services for clients.

The advertisement itself improved materially in the period following World War I. Greater use of pictorial symbolism and shorter copy were definite trends. About the same appeals were used, but they were embodied in a more restrained and sophisticated format. Color reproduction was improved and used by an increasing percentage of all magazine and outdoor advertisements. The photograph gained popularity over the artist's drawing; more attention was paid to white space, simpler and more effective type faces, and good eye movement. Many technical developments were introduced such as higher speed presses, the offset process, color photography, and photo lithography, all of which have been beneficial to the advertiser. As a result advertisements were much superior to those run in the period prior to World War I.

During a depression, firms tend to divert funds from advertising to other more pressing needs, such as paying wages and salaries, taxes, and the like. It takes ready funds to advertise; when money is tight, the advertising budget is fair game for a slash. Thus, the advertising industry suffered severely from the effects of the Great Depression. General advertising activity by 1933 was only 56 per cent of the average of the years 1928-32. Recovery was slow, and by 1940 expenditures were not so high as they had been in 1929.

The Depression did have some favorable effect on advertising. During the boom of the 1920's business men had plenty of money, and expended it on advertising on the basis of blind faith, i.e., it must be good or why would everybody be doing it? Few controls were set up; little attempt was made to appraise its effectiveness. When the Depression occurred, it became necessary to evaluate the desirability of spending every dollar. Top management became increasingly concerned with spending the least amount for the best advertising, tracing the effectiveness of promotion, and changing the media pattern to achieve greater impact and sales. The newly developed areas of marketing research were called upon to assist. Research budgets were set up and projects formulated to demarcate the market, analyze media efficiency, test copy, secure radio ratings, test market, and the like. Therefore, we can say that the Depression had two good effects: it discouraged blind faith in advertising; and it greatly stimulated the development of the infant field of marketing research, which was almost nonexistent in the 1920's.

CHANGES IN THE SELLING FIELD, 1900 TO PRESENT

The growth of the "buyers' market" and the increased competition among producers since 1900 enhanced the role of personal selling and advertising. All business men, whether manufacturers, wholesalers, or retailers, realized they were being forced to seek customers, except during the artificial shortages created by World Wars I and II and the Korean War. Increased attention was paid to sales administration. The sales manager took his place as a top official of the corporation, for his budget often involved the expenditure of hundreds of thousands, or millions, of dollars.

Also, since the outpouring of new products demanded an informed sales force to introduce the products and educate the public and intermediate handlers in their advantages and uses, specialty selling was adopted. This concentration on one line, or even a few items in a line of merchandise, put more emphasis than ever on training, since the salesman had to be a real expert in the narrow line he sold.

Another new development of the twentieth century has been the trend toward "professional salesmanship." Companies have had to abandon the ancient slogan *caveat emptor*. The emphasis has been to help the buyer to purchase wisely by diagnosing his needs and prescribing the product best suited to his peculiar requirements. Here, short-run profit considerations give way to the establishing of long-run good will.

One of the outstanding examples of professional selling is the chartered life underwriter. The American College of Life Underwriters has set up rigid standards for theoretical knowledge and practical experience in life insurance, and carefully examines candidates for its C.L.U. degree on the basis of those standards. As J. Russell Doubman puts it: "A C.L.U. holder is in actuality a life insurance counselor. His desire is not to sell the policy which returns him the most commission; he studies the needs of his prospect and offers for consideration an insurance program based on needs and ability to pay."[49]

Many other fields have made good progress toward professionalization in selling; ethical drug salesmen, heating and air conditioning engineers, and technical service men in the chemical industry are examples. However, it is doubtful that advertising and selling can ever be a "profession" under any rigid definition of the term; the desire for gain, the profit motive, will always be of such overriding importance to the seller that he can not possibly have a truly objective viewpoint.[50]

Another trend that became important in the post World War II period was the mechanization of selling. Personal selling has been partially or completely replaced in many lines of business. Supermarkets with their open display of merchandise and self-service began to make serious inroads on personal selling in the grocery and meat fields in the 1920's and 1930's. This tendency spread to many other lines of goods in the 1950's—drugs, hardware, dry goods, and even clothing, minor appliances, and toys. Although it has reduced the need for sales persons, the mechanization of selling has not been undesirable by any means; it has released people from routine, repetitious selling jobs, and enabled them to move into more creative jobs selling goods that need explanation and demonstration.

DEVELOPMENTS IN ADVERTISING SINCE 1945

The Advertising Council was continued after the war. The advertising industry has contributed hundreds of millions of dollars to support such worthy drives as forest fire prevention, college aid, school improvements, accident prevention, and the like. Undoubtedly, the Advertising Council's efforts have helped greatly to improve the public image of advertising. The latter had been badly impaired by widespread criticism of the industry; books critical of advertising had become best sellers,[51] and the television quiz show scandals of the late 1950's had stirred up bitter feeling against the field.

The rapid growth of television from a laboratory curiosity in 1945 to the second largest advertising medium by the mid 1950's was the most dramatic postwar development in the media field.

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[49] Doubman, *Salesmanship and Types of Selling*, p. 23.

[50] See: "What's the Matter with American Salesmanship," *Fortune*, September 1949, pp. 67-69. Also, William T. Kelley, "Should a National College of Advertising Be Established?" *Printers' Ink*, January 28, 1955, pp. 31-39. A good definition of a profession is given in this article. Assuming the validity of that definition, the author expresses grave doubts that advertising will ever become a profession.

[51] Frederic Wakeman, *The Hucksters*, 1946; Walter Goodman, *The Clowns of Commerce*, 1957; Vance Packard, *The Hidden Persuaders*, 1957, and *The Waste Makers*, 1960.

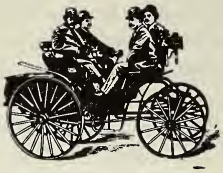
The tempo of marketing:

Man employs symbols to communicate, but the symbols of one day can communicate different meanings in a later period of time. A design that meant strength and reliability to our fathers might connote stodgy inefficiency to our children today. Marketing has been particularly alert to these changes.

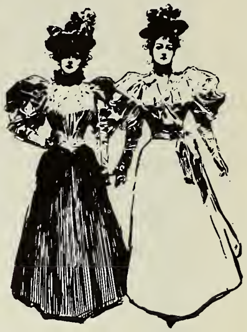
As shown by these engravings collected by Gerald Stahl Inc., New York industrial design firm, advertising design and corporate trade symbols reflect the tempo of the times.

IN THE 1880s

CULTURE

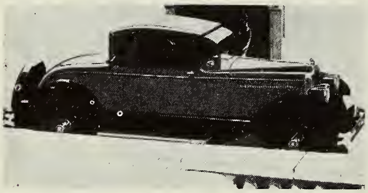


In the U.S. during 1880s life was ornate and carefully restricted. Deliberate slowness was evident in virtually all parts of life

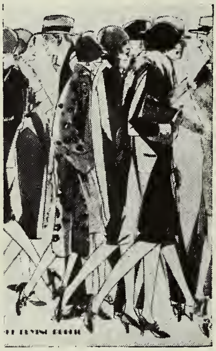


IN THE 1920s

CULTURE



The tempo of life quickened sharply in the 1920s with racy roadsters, more casual dress

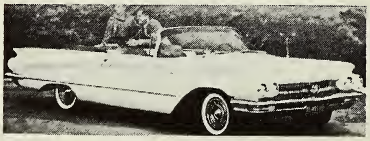


ADVERTISING

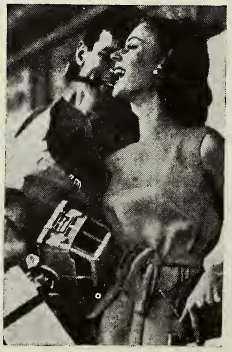
Advertising fell into step with the new accent on speed, with layouts and headlines summarizing messages at a glance

IN THE 1960s

CULTURE



New freedom and ease of our modern era, the '60s, is marked by still faster pace of life

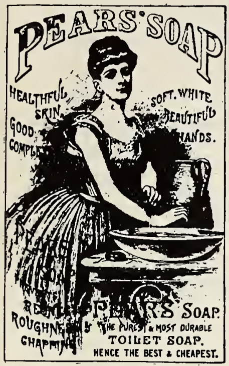


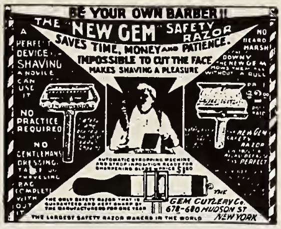
ADVERTISING

The bold freedom of advertising design mirrors modern America's tempo

How it echoes new eras

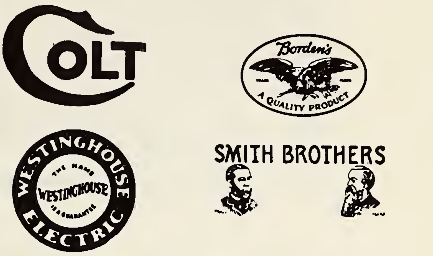
ADVERTISING


PEARS' SOAP
HEALTHFUL SKIN
GOOD COMPL
SOFT, WHITE BEAUTIFUL HANDS.
PEARS' SOAP
ROUGHNESS CHAPPING
THE PUREST & MOST DURABLE TOILET SOAP. HENCE THE BEST & CHEAPEST.

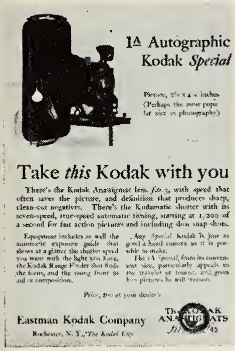

BE YOUR OWN BARBER!!
THE "NEW GEM" SAFETY RAZOR
SAVES TIME, MONEY AND PATIENCE.
IMPOSSIBLE TO CUT THE FACE
MAKES SHAVING A PLEASURE
A PERFECT DEVICE SHAVING
A NOVICE CAN USE IT
NO PRACTICE REQUIRED
NO BEARD TOO HARSH
$2.00
AUTOMATIC STROPPING MACHINE AND STROP IN POSITION READY FOR SHARPENING BLADE PRICE $1.50
THE GEM CUTLERY Co. 678-680 HUDSON ST NEW YORK
THE LARGEST SAFETY RAZOR MAKERS IN THE WORLD

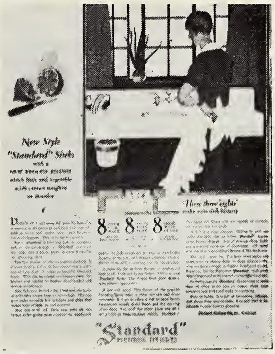
Advertising reflected the ornate and deliberate quality of the times. Layouts seem cluttered now; consumers then took time to read stylized copy

CORPORATE SYMBOLS

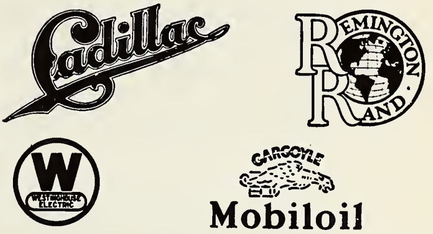

COLT
Borden's
A QUALITY PRODUCT
WESTINGHOUSE ELECTRIC
WESTINGHOUSE
SMITH BROTHERS

Corporate trademarks further catered to 1880 tastes. Business symbols were commonly intricate, ornate

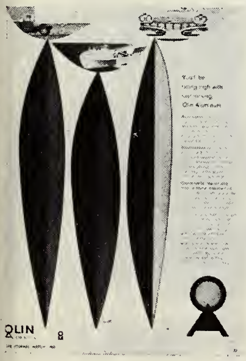

1A Autographic Kodak Special
Take this Kodak with you
Eastman Kodak Company
Rochester, N. Y., The Kodak City
The Kodak Anastigmats

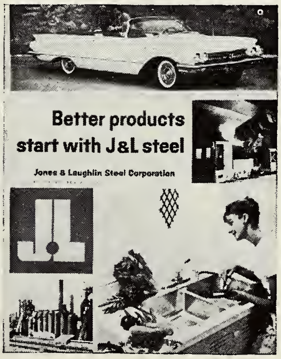

New Style "Standard" Sinks
"Standard"

CORPORATE SYMBOLS

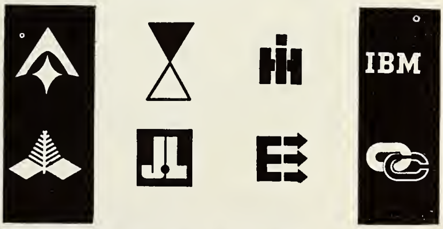

Cadillac
REMINGTON RAND
W
WESTINGHOUSE ELECTRIC
GARGOYLE
Mobiloil

Trademark designs were sharpened up during the 1920s, in pace with the culture and advertising of the day




Better products start with J&L steel
Jones & Laughlin Steel Corporation

CORPORATE SYMBOLS



Angular abstractions are employed by advertisers to communicate immediately modern approach to business

Reprinted from *Printers' Ink*, June 23, 1961, pp. 40-41. By permission.

If the era of the Depression (1930-40) may be called the "period of scientific evaluation," when blind faith in the efficacy of advertising gave way to an attempt to measure its effectiveness and apply sound management principles to its employment, the decade of 1950-60 might be termed "the age of psychology." Psychologists trained in psychoanalytic techniques, such as Ernest Dichter, developed methods of plumbing the subconscious of the consumer. Although much of this work was poorly done, the motivation research results did reveal some of the hidden reasons why consumers behave as they do in the marketplace, and provided advertisers with a new understanding of the rather irrational, but by no means stupid, consumer. Whether it has resulted, however, in more effective advertising is a moot question at this point in time.

Chapter 3

Communication and Promotion

INTRODUCTION

Communication is the interpersonal dissemination of meaningful messages in a society. Such messages may be delivered verbally or by written means. They may be person-to-person (as in personal selling, or involve the instrumentality of some mechanical means, such as the printed page, large area representation (posters), and electronic devices (radio and television).

Messages are essentially symbolic; they entail pictorial symbols or word sounds. Words are symbols which stand for objects, activities, or abstract relationships of various kinds. In all human cultures men have worked out systems for imparting information to one another.

Primitive societies communicate ideas on a very simple level. Certain uttered sounds stand for specific objects or activities. As a culture advances, more abstract and abstruse ideas can be communicated. Pictorial representation of spoken sounds by means of drawn or written symbols is the next stage. With a written language, a culture's intellectual advance accelerates rapidly, for ideas can be preserved and handed down as part of the cultural heritage. If rates of literacy increase, thoughts can be disseminated quickly throughout a culture by means of communication media, such as books, newspapers, signs, and handbills. Cultural homogeneity is thereby enhanced, for the people can be socially conditioned and influenced much more readily.

The chief task of modern promotion is conditioning and influencing people. With the rise of modern communication media, all sorts of institutions have engaged in this activity—government, religious bodies, unions, educational organizations. As Neil Borden puts it: "The use of influence in commercial relations is one of the attributes of a free society, just as persuasion and counterpersuasion are exercised freely in many walks of life in our free society—in the home, in the press, in the class room, in the pulpit, in the courts, in the political forum, in legislative halls, and in government agencies for information."[1]

Commercial promotion aims to pave the way for the sale of goods or services by making the latter seem more desirable to the potential buyer. This objective involves influencing and conditioning the mind of the prospect in much the same way as agencies with other purposes. The fundamental principles of communicating and influencing are the same, whatever the purpose, and channels of flow and influence must be established in all cases. Much of this chapter is based on communication theory developed within different contexts. Fruitful applications from the newly developed fields of semantics and cybernetics particularly may be adduced for the field of commercial communication.

PLACE OF COMMUNICATION IN MARKETING

As Duddy and Revzan point out, communication plays a very important role in economic organization. There are three major areas:

(1) *Buying and selling.* Marketing research is an essential guide for formulating intelligent business policies. Selling and advertising make possible the organization of a market by informing the participants in the buying and selling process of who has what, where, and under what conditions of availability.

(2) *Price determination.* A market is essentially a communication network. The forces of supply and demand cannot be brought into a focus, nor a price established for a good, unless buyers and sellers are informed of available and prospective supply, past price ranges, extent of competition, past reactions of buyers to price changes, and the like. Such requirements entail horizontal communication among sellers (and sometimes buyers), as well as vertical communication between buyers and sellers.

(3) *Organizing force.* Communication as an organizing force involves such efforts as organizing the business unit into a team of cooperating individuals or uniting the members of an industry into a trade association for mutual benefit. The importance of intracompany and intercompany communication networks can hardly be overestimated as a force in organizing modern economic activity. Intracompany communication is effectuated by such means as manuals of organization and policy, organization charts, directives, resolutions of the board of directors, and face-to-face conferences. Intercompany communication is facilitated by business papers and magazines, trade shows, conventions, industrial conferences, bulletins of the trade association, and the like.[2]

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[1] Neil H. Borden, *The Economic Effects of Advertising* (Homewood: Richard D. Irwin, Inc., 1942), p. 802.

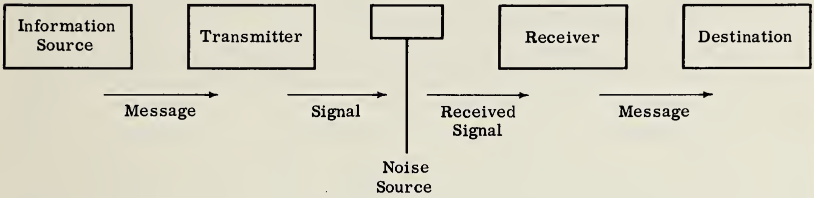
[2] Edward A. Duddy and David A. Revzan, *Marketing: An Institutional Approach* (New York: McGraw-Hill Book Co., Inc., 1947), pp. 104-12.

COMMUNICATION AND PROMOTION

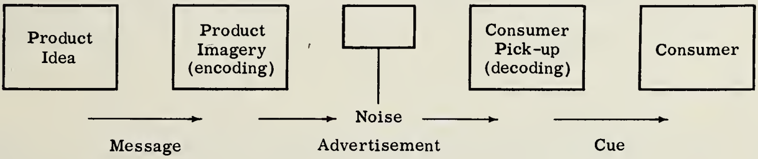
Narrowing our study to our particular field of interest, promotion, we may ask the following questions. How are buyer-seller networks established? What kinds of channels are more effective than others? How can the flow of communication be facilitated within a channel? Are there sociological determinants of channels? Are there any types generally overlooked by commercial communication?

HOW COMMUNICATION CHANNELS ARE ORGANIZED

The following is the diagram of a generalized communication system:[3]


Information Source
Transmitter
Receiver
Destination
Message
Signal
Received Signal
Message
Noise Source

Applied to advertising, the system would be diagrammed as follows:


Product Idea
Product Imagery (encoding)
Consumer Pick-up (decoding)
Consumer
Noise
Message
Advertisement
Cue

In the above diagram the information source is whoever creates the basic keynote or idea for the advertisement. It may be the advertiser, but often is his advertising agency. The transmitter operates on the message, putting it into a form that can be received by the receiver. In this case the advertising agency translates the basic idea into appeals, embodying these in visual imagery and word descriptions of the product attributes, services, and the like. Then the message is conveyed to the consumer by an advertising medium. If successful after being seen or heard, it modifies the gestalt, or influences the consumer in favor of the product or service that was the subject of the message. In advertising and selling, the receiver and destination are the same—the consumer; in selling, the salesman is both information source and transmitter.

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[3] C. E. Shannon and W. Weaver, *The Mathematical Theory of Communication* (Urbana: University of Illinois Press, 1949), p. 5.

The general communication system has raised many problems.[4] One of these is the accuracy of the transmitted symbols of communication; this is a technical problem. In advertising, how legible are the type faces? How clear is the halftone engraving? How lifelike is the color? In personal selling, how clear is the salesman's enunciation? How apt are his illustrations? How logical is the order of development of the presentation? What disturbing influences (noise) were encountered?

Another problem is achieving precise meaning by the transmitted symbols; this is a semantic problem, and is responsible for creating the universal misunderstandings to which all human communication is subject. One source of error is in encoding the message—failure on the part of the transmitter to convey meaning because of such shortcomings as wrong choice of words and bad selection of symbols. Another source of error is in receiving and decoding the message. We receive communication in "bits" of information which we put together into a mosaic of meaning. Experts say that we receive, on the average, about 70 per cent of the bits of information in a spoken communication and somewhat more in a written medium; we complete the whole, or the gestalt, by insight. Thus, we infer the meaning of the missing bits in order to complete a sensible whole. Sometimes the missing bits would change the meaning of the inferred gestalt quite radically. Misinterpretation of the message is the source of much malcommunication. Then, again, the message may be received so imperfectly that it makes no sense; this is a case of complete failure of communication.

Finally, all communicators are concerned with the effectiveness problem—how effectively the received meaning affects conduct in the desired way. Has the message caused the consumer to buy the product, resolve to buy it, think about buying it, think better of the brand, or become familiar with the sound of the brand name?

Most analysis to date has dealt with the technical problems—how to appeal to the consumer, what channels of communication are the most effective, and what media are best to reach the maximum number of prospects. Little attention has been paid to how to convey the exact meaning desired with a minimum of distortion and misunderstanding. Little study, too, has been made of the psychology of influence—how to predict reasonably well the probable effect of a given message on the typical recipient.

NOISE IN THE CHANNEL

"In every real communication system, there is always present a certain amount of unwanted interference which tends to corrupt and alter the transmitted messages in an unpredictable manner. Such disturbances are here called 'noise.' "[5] There are three kinds of noise: external noise; internal noise; and competitive noise.

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[4] See Shannon and Weaver, *The Mathematical Theory of Communication,* p. 96, for complete treatment.

1. *External Noise*

External noise constantly surrounds the consumer—a lawn mower, a jet airplane, a baby crying. Although little or no attention is paid to background noise, often the latter is of sufficient intensity, or our threshold of perception is sufficiently low, that it distracts and preoccupies the recipient. For example, a mother listens with "half an ear" to a radio commercial when her baby is crying. Under such conditions, parts of the message are missed, other parts misunderstood. Of course, if the message is highly interesting, the receiver may pay closer attention, but the advertiser seldom has the advantage of such a favorable rate of interest.

Noise may be counteracted by more efficient encoding—clear imagery, increasing the rate of interest by using a better and stronger appeal. It also may be offset by raising the stimulus level—turning up the volume of the television commercial or using more vivid color in the ad. Distortion may be reduced by using media that control the attention exclusively; television, for example, generally pre-empts all of the attention of the listener and presents only one commercial message at a time. In the case of radio the listener may often be doing something else at the same time; thus, attention is shared. An advertisement in a newspaper often competes with several others on the page. Another way of reducing noise is to reach the recipient at a time when the external noise level is low, e.g., prime television viewing time is in the evening when much of the uproar of the day has quieted.

2. *Internal Noise*

This is noise within the channel itself (similar to static on an AM radio). A number of things in advertising media distract attention from the advertising, such as articles and stories in magazines, adjacent advertisements, or music or news on the radio. Appraisal of this kind of noise finds expression in the various kinds of ratings—Starch, Nielsen, Videodex, ARB, and others.

3. *Competitive Noise*

Noise created by the competition is the most serious problem with which the communicator must deal. In the old days one hawker would try to outshout the others in the streets. He who had a foghorn voice would win more attention. Nowadays all advertisements are struggling for attention against all the others by using big headlines, startling illustrations, and striking colors. All try to make newer, better, and more interesting appeals that will counter those of competitors. In radio, sound effects, rhythm, and song are employed for the same purpose. Shannon feels that noise can be reduced not only by better encoding and the selection of quieter channels, but also being redundant (repetitious) in the message. Redundancy alone, however, will not solve the problem.[6] The influence of the channel itself (the media, the salesman) must not be neglected. Different media have intrinsic differences in the interest and belief with which consumers credit advertisements appearing in them.[7]

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[5] J. F. McCloskey and F. N. Trefethen, *Operations Research for Management* (Baltimore: The Johns Hopkins Press, 1954), p. 152.

FEEDBACK

A complete communication channel is not a one-way street. Communication should not flow only from transmitter to receiver; information should flow back to enable the disseminator to evaluate whether the message was received, whether it was understood, and, perhaps, whether it had the desired effect. If the reception was defective, the disseminator decides whether to (a) send the message again; (b) change the channel for a better one; (c) alter the message (re-encode); or (d) forget the project entirely. This feedback connection may be said to create a closed system, one that adjusts to change and may be self-regulating.[8]

The salesman has been employing feedback for centuries. He decides what kind of person his prospect is, what the environment is, and which type of approach would be most efficient. Then, while giving the sales story, he evaluates how it is being received by certain feedback clues—Does the prospect seem interested or bored? Does he appear pleased or disturbed? Does he respond with questions or is he passive? Does he nod his head or frown? Is he getting restless? Following such subtle clues, the skillful salesman may alter his sales arguments, avoiding those evoking negative or bored responses and following up and expanding those which seem to elicit interest.

Feedback loops from advertising and public relations releases still are very primitive. The advertiser seldom can trace sales from a given advertisement or series of them (campaign). In most cases he must depend on large numbers or averages. Medium A reaches one million prospects; medium B, 1.25 million. If the cost is about the same, he chooses medium B. If he wants to know whether anyone has read his advertisement after it has appeared, he must employ a readership service such as Daniel Starch or Robinson-Gallup. There are a number of radio-television listenership services as well.

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[6] For concepts of redundancy see Shannon and Weaver, *The Mathematical Theory of Communication,* pp. 100, 104. For relation of redundancy to repetition see *Business Week,* July 30, 1955, pp. 58-64. For amount of redundancy in advertising see Ernest Dichter, *Journal of Marketing,* July 1954, p. 63.

[7] George Fisk, "Media Influence Reconsidered," *Public Opinion Quarterly,* Spring 1959, p. 86.

[8] The study of such closed, self-regulating systems is called cybernetics. This new science should be studied closely by all communicators as it has cogent applications to the communication field. Two good sources are: G. T. Guilbaud, *What is Cybernetics?* (New York: Grove Press, 1960); Norbert Wiener, *The Human Use of Human Beings—Cybernetics and Society* (New York: Doubleday & Company, Inc., 1954).

Through newer techniques, such as depth interviewing, researchers are attempting to analyze whether the reader or listener was influenced by the message, and, if so, how. There are services that are getting "playbacks" from the consumers. Starch and Robinson-Gallup interview consumers who have seen the advertisements in question in order to determine how well they remember them and how *they* interpret the meaning of the ads. Thus, degree of understanding can be evaluated, as can degree of distortion or confusion. Such feedback methods have proven useful to the creative agency people on the account.[9]

TYPES OF COMMUNICATION CHANNELS

Information channels may be classified into vertical and horizontal, and formal and informal. A vertical channel is one in which information flows from one person or group to another person or group of different interests or social status. A horizontal channel is one in which the information is communicated among members of a distinguishable group.[10]

A formal channel is arranged by the communicator (seller), and is effectuated through one or more communication media, the use of which is generally paid for by the communicator. The content of the message put through the formal channel is carefully prescribed and controlled by the communicator. An informal channel is not arranged by the communicator, nor controlled by him as to extent or content of the message; rather, information is spread by diffusion because of the natural propensity of human beings to communicate with one another.

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[9] S. Dutka and L. Frankel, "Feedback: Proof of Advertising's Power?" *Printers' Ink,* March 4, 1960, pp. 77-79. Subscribers to both services are always dismayed when they see the extent and depth of confusion in the consumer's mind engendered by messages that seemed crystal clear to the advertiser. People not only will distort, but also will read in meaning that is not there. Thus, the advertiser of a new lipstick had an illustration of a comely model wearing the striking new color. In order to gain contrast, they had the model's hand in a white glove placed up to but not covering the lips. Many women seeing the ad thought the advertiser meant the lipstick was kissproof or smearproof. Some even believed they read about this product attribute in the copy. As a matter of fact, the lipstick was *not* smearproof, and nowhere did the advertiser say it was. The consumers read it into the situation.

[10] A group constitutes two or more persons having similar interests, attitudes, social status, or other common identity. Thus we have a work group, social group (lodge), professional group, neighborhood group, etc.

Vertical Communication Channels

A good example of a formal vertical communication channel is provided by advertising and personal selling. It may be diagrammed as follows:

Seller————→Promotional medium————→Buyer

The promotional medium may be a salesman, advertising medium, or publicity medium. The information and persuasive message is passed through the controlled media to the recipient.

Informal vertical channels also exist. Here, the information is diffused by spreading it from group to group. The process may be diagrammed as follows:

Group A————→Group B————→Group C

All kinds of ideas spread through society by informal vertical channels of communication besides news and information regarding products or services offered in the market. For example, there is evidence that information about new philosophical, political, and moral theories and concepts spreads in this fashion. Elmo Roper hypothesizes that the flow of ideas vertically may be diagrammed as follows:

Great thinkers———→Great disciples———→Great disseminators———→
Lesser disseminators———→Participating citizens———→Inert citizens[11]

Another authority claims that new ideas flow from innovators, to influentials, to followers, and then to the "diehards" or nonadopters. A study of how physicians learned new information about medicine revealed that the innovators were relatively isolated from the professional community. They tended to be younger or older than the average physician and were trying to gain a reputation for being up-to-date. The influentials (10 to 15 per cent of the total) were the really important power in disseminating information. They hesitated to adopt new practices, attended conventions and other professional gatherings more frequently than the average, read more journals, and were more exposed to commercial channels (salesmen and advertising). They also had a high propensity to communicate with their colleagues.[12]

When significant numbers of influentials had adopted a new practice, they were emulated by the followers. The latter tended to receive rather than give information. They were somewhat more exposed to commercial selling influences, but sought information from their respected colleagues (influentials) before deciding to adopt an innovation.

The diehards were somewhat isolated. They attended few conventions or professional meetings, read few journals, and had much less frequent informal contacts with colleagues. Less interested in raising their own status, they adopted an innovation only after insistence from their own patients.

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[11] *Saturday Review*, July, 1954.

[12] Francis S. Bourne, *Some Applications of Behavioural Research* (Paris: UNESCO, 1957), pp. 239-40.

In the commercial field there may be a great deal of informal vertical information flow through the mechanism of emulation or imitation. This is particularly true of fashion. Students of fashion merchandising claim that a new fashion in women's clothing is disseminated by flow from socio-economic group to socio-economic group.[13] A new fashion in dresses, for example, will be shown in the exclusive salons of the Paris couturiers. After it has been adopted in an extreme form by the members of the "international set," the wealthy social leaders in each country appropriate the style and are quickly emulated by those of the next socio-economic group, the upper middle class. The fashion then spreads in popularized form to the middle income groups. During its declining phases it is mass-produced in a more conservative version of the original and distributed to mass markets. The first two groups desire to be distinctive, and they abandon the fashion when it is adopted by the next two groups. The latter adopt the fashion through motives of emulation of those whom they regard their social superiors. They, in turn, abandon the fashion when it becomes the object of mass imitation.[14]

Of course a successful fashion is generally promoted through formal channels of communication while it is diffusing through informal channels—advertising by courturiers and manufacturers, publicity in high and middle fashion women's magazines, editorial comment of newspapers and television. However, formal promotion will not be of much use if information and influence are not flowing down the informal channels in proper sequence at the same time.

Such a vertical spread is generally not successful unless accompanied by appropriate horizontal dissemination of the fashion. Effective vertical movement probably spreads from opinion leader to opinion leader more often than directly to the rank and file within the groups.[15] If the respective group opinion leaders do not spread the message horizontally, or, similarly, if the members of the next stratum do not emulate them, little mass diffusion can take place.

The process of the vertical spread of ideas within society has not been studied intensively. However, there is a clue in a study by G. A. Lundberg and Mary Steele of the structure of informal communication channels within a small New England village (population about 1,500).[16] Lundberg

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[13] See Paul H. Nystrom, *Economic of Fashion* (New York: The Ronald Press Company, 1928); Paul H. Nystrom, *Fashion Merchandising* (New York: The Ronald Press Company, 1928); Melvin T. Copeland, *Principles of Merchandising* (New York: McGraw-Hill Book Co., Inc., 1924).

[14] Copeland, *Principles of Merchandising,* pp. 163-67.

[15] See study by Robert K. Merton in Paul F. Lazersfeld and Frank Stanton, eds., *Communications Research, 1948-49* (New York: Harper & Row, Publishers, 1949). It may be diagrammed as follows: communicator (seller) ————→ mass media ————→ opinion leaders of stratum ————→ members of group.

[16] *Sociometry,* Vol I, January-April, 1938, pp. 375-419.

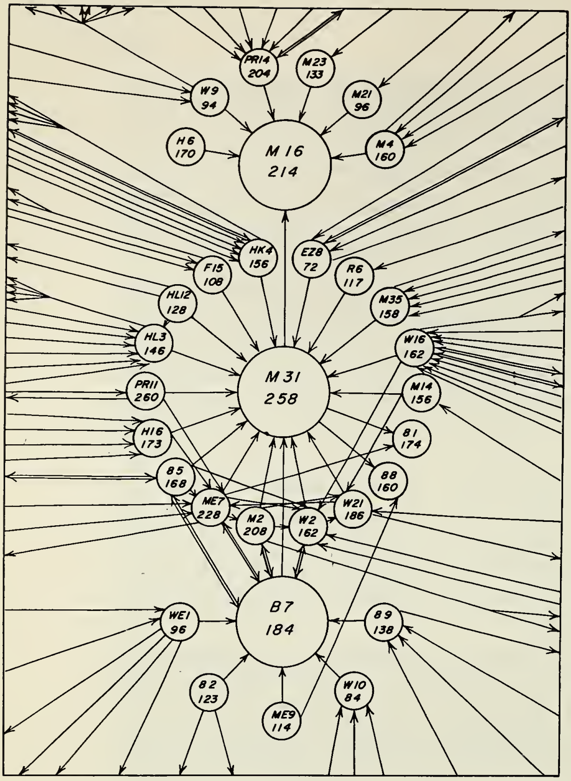
PR14 204
M23 133
W9 94
M21 96
H6 170
M16 214
M4 160
HK4 156
EZ8 72
F15 108
R6 117
HL12 128
M35 158
HL3 146
W16 162
M31 258
PR11 260
M14 156
H16 173
81 174
85 168
88 160
ME7 228
W21 186
M2 208
W2 162
B7 184
WE1 96
89 138
82 123
W10 84
ME9 114

Figure 3.1. *A "friendship" constellation centering on the matriarch of the leading family with her principal satellites, a physician-politician (M16) and a banker's wife (B7). Each person is represented by a circle—the top number is his code symbol, the bottom number his socio-economic status score on the Chapin Scale. The arrows indicate the direction of the choice made or received.*

and Steele, through exhaustive interviewing techniques, were able to diagram friendship or attraction patterns, informal groups, or "constellations of influence" among the inhabitants. They found eight well-defined, informal groups, each with leaders to whom others in the group turned for friendship and advice. Leaders of each group were not the leaders of a formally organized group, such as mayor of the town, mill owner, or club president. However the leaders of the top informal groups belonged to and participated in the activities of the formal organizations. For example, the leader of the highest socio-economic stratum was the matriarch of an old, well-to-do family, the widow of a prominent physician.[17] Many emulated her, but her influence on two leaders who had vertical connections with leaders of other groups in the town was especially important. Well down the social ladder was a dressmaker, the wife of a skilled worker,[18] who was the leader of the largest group of working-class people. At the very bottom were the "isolates," people who had no normal social contacts in the village and no influence over others, and who, in turn, were not influenced by other natural leaders.[19] These were the migrants, the very poor and indigent, newcomers to the village, and, of course, the summer visitors to this New England town.[20]

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[17] See chart in Figure 3.1.

[18] See chart in Figure 3.2.

[19] See chart in Figure 3.3.

Thus Lundberg and Steele found that social status plays a large part in determining the direction of flow of communication in a community. As Lundberg said in another work:

> . . . the phenomenon of status is one of the principal barriers that contains, restrains and canalizes the free flow of communication. Differential status determines who fraternizes with whom, who imitates whom and, for example, the fact that you are willing to pay more than necessary for an article if you can buy it in the "right" kind of shop.[21]

In summary, information spreads vertically in a community through channels of communication determined largely by the relative socioeconomic status of the various members of the population. The information goes through the informal network mainly by dissemination from group leaders to group leaders. The leaders, in turn, spread the information to the various members of their groups both directly and indirectly—

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[20] The formal channels (mass advertising media, personal sales contacts, and the like) are of greater relative importance in reaching these social "isolates" than in reaching the other groups, since the isolates lack communication with informal groups. However, the isolates tend to do little reading (often being illiterate or semiliterate), and this will cancel out some of the advantages mass media have in reaching the socially nonintegrated.

[21] George A. Lundberg, *Marketing and Social Organization* (Philadelphia: Charles Coolidge Parlin Memorial Lecture, n.d.), p. 23.

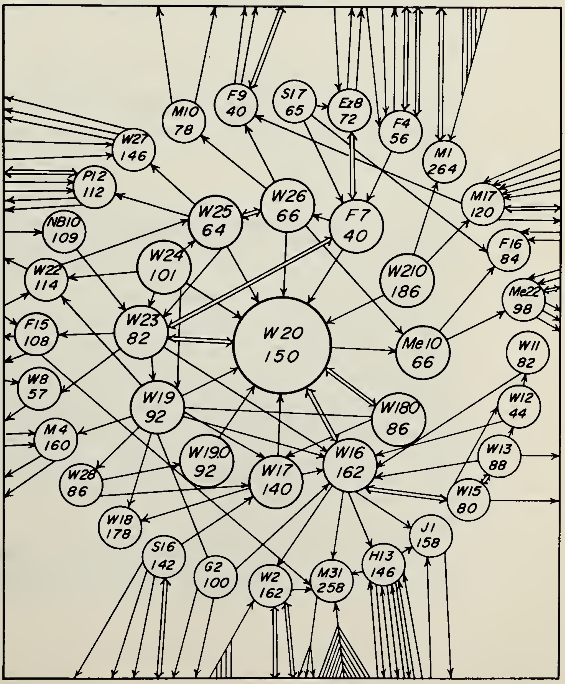
M10 78
F9 40
S17 65
Ez8 72
F4 56
M1 264
W27 146
P12 112
M17 120
NB10 109
W25 64
W26 66
F7 40
F16 84
W24 101
W22 114
W210 186
Me22 98
F15 108
W23 82
W20 150
Me10 66
W11 82
W8 57
W19 92
W180 86
W12 44
M4 160
W190 92
W17 140
W16 162
W13 88
W28 86
W15 80
W18 178
J1 158
S16 142
G2 100
W2 162
M31 258
H13 146

Figure 3.2. *A "proletarian" (unskilled) factory group. The nucleus is a dressmaker, the wife of a skilled workman in the factory upon which the group primarily depends for employment.*

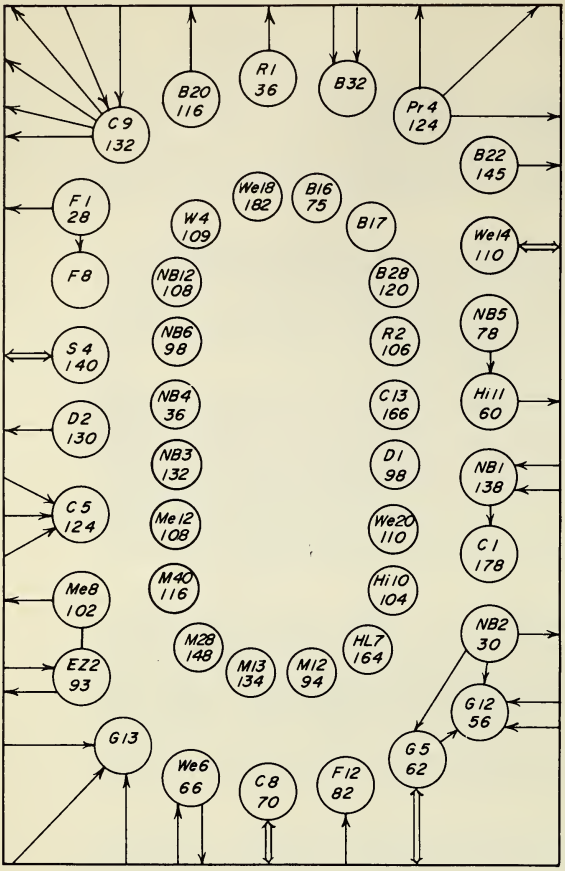
C9 132
B20 116
R1 36
B32
Pr4 124
B22 145
F1 28
We18 182
B16 75
W4 109
B17
We14 110
F8
NB12 108
B28 120
NB5 78
S4 140
NB6 98
R2 106
NB4 36
C13 166
Hi11 60
D2 130
NB3 132
D1 98
NB1 138
C5 124
Me12 108
We20 110
C1 178
Me8 102
M40 116
Hi10 104
NB2 30
M28 148
HL7 164
EZ2 93
M13 134
M12 94
G12 56
G13
We6 66
C8 70
F12 82
G5 62

Figure 3.3. *Isolated and semi-isolated individuals. This chart consists of all persons not making or receiving any choices in the village.*

by verbal messages, and by standards of consumptive behavior which group members imitate or emulate. This brings us to an examination of how communication networks are established horizontally within a given status grouping.

Horizontal Communication Channels

Figures 3.1 and 3.2 from Lundberg demonstrate that communication within a given group spreads from an informal group leader to the members in rather intricate and complex patterns. Usually the leader communicates to *her* group of friends, and so on (See Figure 3.2). Sometimes the leader herself is somewhat of an isolate; she exerts her influence on a small, but select group of friends who, in turn, influence larger numbers. Thus, in Figure 3.1, M-16 is in a position of power because he communicates with M-31, who in turn influences others who may be leaders of constellations. M-16 himself communicates with only five others besides M-31.

These informal horizontal groupings are not fixed; they vary with time and different circumstances. They are formulated by a community of interests; one person may be a member of several informal groups at the same time—a family, a neighborhood, a workroom group, a club, and the like. For example, Katz and Lazarsfeld found that a housewife will probably seek advice from a younger member of the family (teen-age girl) when choosing a moving picture; she will consult an older, respected housewife in her friendship or neighborhood group when purchasing convenience goods; she will adopt her husband's preference when voting in the next election.[22]

Who is the leader of an informal group? Katz and Lazarsfeld say that there are no "natural traits" of leaders. However, it seems that a leader gets his or her position in the group because of unusually good perception of the group norm or customs. Members of the group accept him because he always seems to know what to do and what is appropriate. He is considered "smart" and "up-to-date."[23]

In the marketing field Katz and Lazarsfeld found that the leader to whom informal groups of homemakers turned for advice about purchasing goods had certain characteristics. (1) She was a woman between 25 and 44 years of age with a large family. Young girls, women with small families, and older matrons all tended to go to the mature housewife; her competence in managing a home was proven by the possession of a large family. (2) She was gregarious (as measured by the number of friends and memberships in organizations). Fisk found that such a leader had a high propensity to communicate, probably another measure of gregariousness.[24]

However, the members of the group are not passive. Once the leaders have introduced an idea to members, the latter spread the news among themselves. The point is that the leaders generally must get the idea first, put their seal of approval on it, and "seed" the channels before it can spread horizontally.

RELATIVE STRENGTH OF FORMAL VERSUS INFORMAL CHANNELS

Research into the relative importance of channels is in its infancy. Available studies demonstrate the great importance of the informal channels in communicating facts and influence. The results of several studies will be cited to illustrate this.

Fortune's *"Web of Word of Mouth"*[25]

Fortune made an intensive study of a new row house neighborhood in North Philadelphia in relation to the ownership of room air conditioners. It was a typical middle-class community of younger white-collar workers ($4,000 to $7,500 annual income). Ownership of air conditioners was not uniform throughout the neighborhood, but clustered about certain blocks; moreover, it went up and down the sides of the blocks rather than across the streets. This pattern of ownership was the result of two factors. The first was social traffic—children played and mothers hung clothes and gossiped in the back alleys while fathers mowed their front lawns, worked in the back, and chatted with people on either side. Streets constituted real barriers, and much less social intercourse took place across the streets. The second was the influence of a leader—the little "backyard groups" had a leader whom they followed. What the leader did was emulated; members of the group had recourse to him or her when considering the purchase of a product, especially one not yet familiar to them. A great deal of information about established brands was also communicated.

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[22] Elihu Katz and Paul F. Lazarsfeld, *Personal Influence* (New York: The Free Press of Glencoe, Inc., 1955), pp. 6-7.

[23] *Ibid.*, pp. 113-14.

[24] Fisk, "Media Influence Reconsidered, p. 90.

[25] By William H. Whyte, Jr., *Fortune*, L, No. 5, November 1954, 140-43.

The hypothesis developed that it is the group that decides when a luxury becomes a necessity. Earlier, in the Philadelphia neighborhood studied, people hesitated to buy air conditioners because they feared that others in the group might think them snobbish or eccentric. Later, as members of the group discussed the subject of air conditioners, their attitude toward them gradually changed. The leaders, perceiving the reversal of group opinion, purchased the units. The followers in the group soon bought them, too, since, as Whyte points out, not to buy would be almost an antisocial act, "an unspoken aspersion on the other's judgment or taste." "At this point," he concludes, "only the most resolute individualists can hold out, for just as the group punishes its members for buying prematurely, so it punishes them for not buying."[26] The strong power of group norms prescribes standards of consumption, and the group emulation process is probably the strongest force for (or against) the purchase of a product.

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[26] *Ibid.*

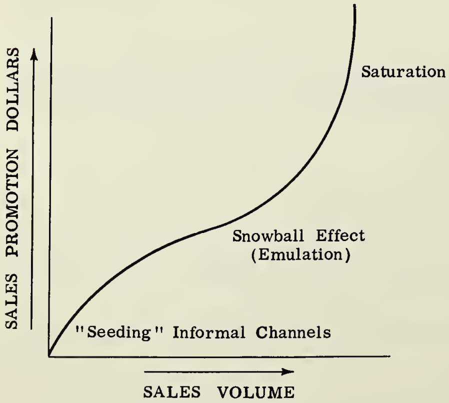

Figure 3.4. *Informal channels and the emulative process.*

In pioneering a new kind of product, or in introducing a new brand of an established product, the importance of the emulative process cannot be overestimated. Formal channels condition the group leaders and the rank and file. Advertising and selling plant the idea and stimulate discussion within the group. Sales volume is low until informal channels operate and group leaders adopt the product or brand; then the sales begin to snowball. Since snowballing is the result of informal, not formal, communication influences, promotional expenditures in relation to sales volume look like an S-shaped curve. In the early stages a great deal of money must be put into promotion per unit of sales. When the snowball effect has been engendered, relatively small increments of expenditure evoke great increases in sales. Later, after market saturation has occurred, further sales expenditures produce relatively meager returns again. The promotional effort alone is not responsible for the favorable results in the middle of the curve—it is the strong social force of emulation brought about by informal channels of communication, both vertical and horizontal.

RELATIVE STRENGTH OF REFERENCE GROUP INFLUENCE

How strong is the influence of the group which conditions purchasing behavior (reference group) on the purchase of specific kinds of products? A study by the Bureau of Applied Social Research, Columbia University, revealed great variation in the importance of the reference group.[27] Buying may be completely individualistic or very socially conditioned. Reference groups may condition the purchase of a product, the choice of a particular brand, or both, as illustrated by Figure 3.5, which is based on studies by the Bureau.[28]

In the cell to the upper right are the products strongly influenced by group pressures as to whether to purchase (product) and what kind to purchase (brand). Certain reference groups look down on members without cars. Since the automobile is considered a status symbol by most groups, the brand purchased is also strongly conditioned. Physicians are influenced by the professional groups as to the product type of drug and the brand.[29] Since cigarettes have few, if any, identifiable product attributes, whether one smokes and what brand is appropriate to smoke in the group is conditioned. The reference group also has a strong influence on whether premium or regular price beer is bought, but little on the specific brand chosen.

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[27] Cited in Francis S. Bourne, "Group Influence in Marketing and Public Relations," Chap. VI of Rensis Likert and Samuel P. Hayes, Jr., *Some Applications of Behavioural Research* (Paris: UNESCO, 1957).

[28] *Ibid.*, p. 218.

[29] *Ibid.*, pp. 237-40.

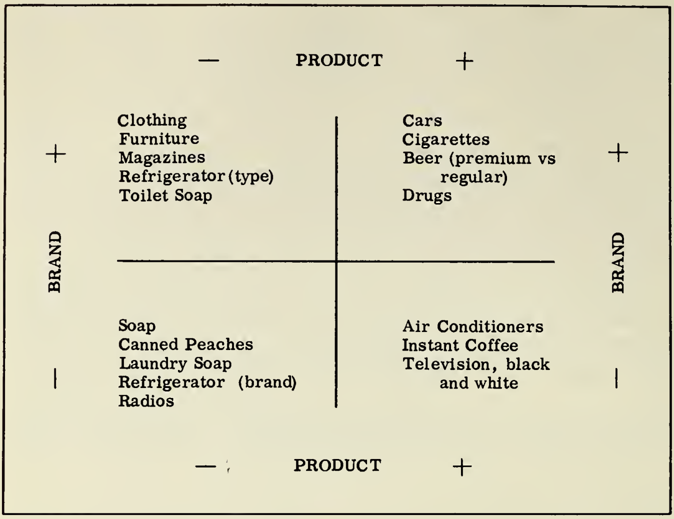
— PRODUCT +
+
BRAND
—
Clothing
Furniture
Magazines
Refrigerator (type)
Toilet Soap
Cars
Cigarettes
Beer (premium vs regular)
Drugs
Soap
Canned Peaches
Laundry Soap
Refrigerator (brand)
Radios
Air Conditioners
Instant Coffee
Television, black and white
+
BRAND
—
— PRODUCT +

Figure 3.5. *Chart of reference-group importance for certain items. Items in top half of the chart are subject to strong influence in regard to brand; those in the right half are strong in product influence.*

In the "product plus, brand minus" categories (lower right of diagram) are items which the reference group determines will be used or not, but of which no one brand has prestige over another. As Whyte found, the group was important in deciding whether the member was expected to buy an air conditioner, but it had little influence on the brand purchased. However, as air conditioning units approach saturation (like refrigerators and radios), the brand may become more significant.

Products in the upper left cell are goods that everybody has. Reference group influence is low for such items. However, because these products, such as refrigerators, furniture, and magazines, are conspicuous, they tend to be symbols of status; therefore, group influence is strong in choosing their brands and styles.

At the bottom are the items at the lower left ("product minus, brand minus"). These are "socially inconspicuous." Group influence is not completely absent, but it is relatively less than for the other items analyzed. Goods such as salt, flour, canned peaches, laundry soap, and radios are bought mainly because of product attributes and habit rather than because of reference group influence. If a given brand were sufficiently advertised, the item might be changed to "product plus, brand plus" like cigarettes. However, the cost would be too great for the benefits obtained by the enterpriser (increased sales volume and greater sales stability). Radios and refrigerators were probably subject to considerable reference group influence when they were new to the public. Now that virtually every American home has at least one of each, these goods are no longer prestige symbols, and have slipped into their present category.

The implications of this study for advertising and selling policy are rather apparent. The seller should prod the reference groups, especially the leaders or "gate keepers," when the product is in the pioneering stage. Later, if it is or can be made a status symbol, the influence of reference groups will still be useful. As Professor Bourne puts it:

> When reference group influence is operative, the advertiser should stress the kinds of people who buy the product, reinforcing and broadening where possible the existing stereotypes of users. The strategy of the advertiser should involve learning what the stereotypes are and what specific reference groups enter into the picture so that appeals can be "tailored" to each main group reached by the different media employed. . . . Mistakes have been made in creating or reinforcing a stereotype of consumers which was too small or exclusive for a mass-produced product. . . . On the other hand, some attempts to appeal to new groups through advertising in mass media have resulted in the loss of existing groups of purchasers whose previous (favorable) image of the product-user was adversely affected.[30]

However, when a product is widely used, or it has saturated the market and become "socially inconspicuous," like salt or laundry soap, selling and advertising of product attributes to individuals is the proper strategy. The relative importance of price would also be much enhanced in the case of "product minus, brand minus" goods. Common observation indicates that price and product performance attributes do figure heavily in the selling of television sets, air conditioners, instant coffee, refrigerators, radios, and other similar items.

There are far-reaching psychological differences among the various classes.[31] Income differences, Martineau shows, are far less significant as behavior indicators than social class membership. For example, since the goals and mental processes differ between the low-class and middle-class groups, one will not communicate effectively with either class without full cognizance of these differences.[32]

Katz and Lazarsfeld's important work, *Personal Influence,* throws further light on the strength and characteristics of informal channels of communication. Several of their findings are:
(1) Influence confines itself to the status group. About two-thirds of the influence pairs investigated were within their own groups; only one-third were between groups. [33] As previously noted, informal channels tend to be stronger within groups (horizontal) than between groups (vertical).
(2) The flow of communication is a two-way street. Katz and Lazarsfeld found that the vertical flow of information and influence could go from a lower to a higher status group as well as in the reverse direction. Many writers in the past assumed that the flow only went down the social

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[30] *Ibid.,* p. 222.

[31] Pierre Martineau, "Social Class and Spending Behavior," *Journal of Marketing,* October 1958, pp. 121-30.

[32] *Ibid.,* p. 130.

[33] Katz and Lazarsfeld, *Personal Influence,* p. 238.

pyramid, from the upper, through the middle, to the lower classes (trickle-down theory). This supposition is probably true for certain kinds of products, such as fashion merchandise, but, in the case of convenience goods and shopping goods, some upward flow was established. A product may be adopted by the lower classes and trickle up toward the higher social groups. Fads, in particular, behave this way—the twist dance, hula-hoops, day glow socks. Usually the influence is confined to the next higher or lower rung on the ladder. People seldom emulate those who are several steps above them; they feel uncomfortable, since the patterns and norms of these people are foreign to them. If Jane the dressmaker tried to emulate the President's wife, her friends would laugh at her.[34]

(3) Marketing leaders are in roughly equal proportions in each status level.[35] Women, at a given level, seek their own leaders for marketing advice rather than leaders above or below them. The wise woman of the television commercials will not be accepted as a "figure of authority" unless she is identifiable with the group leader of the appropriate status level. Bejewelled women, dressed in the latest Paris fashions and talking with a broad "a," will scarcely be regarded by the lower socio-economic status women as a figure of authority.

(4) Katz and Lazarsfeld probed the relative strength of the major channels of influence to find what impelled the leaders to make recent shifts in brands of convenience items purchased. They set up three dimensions of exposure: (a) effective exposure—deciding influence to switch brand loyalty; (b) contributory exposure—strong influence, but not completely responsible for the shift; (c) ineffective exposure—weak influence with no acknowledged force in determining choice.

For effective exposure personal contacts were twice as effective as radio, over three times as effective as salesperson influence, and more than seven times as effective as either newspaper or magazine advertising.[36] Unfortunately, television was still in its infancy when the fieldwork was done. If tested today, it would probably show a somewhat stronger influence than radio due to the impact of both sight and sound. For contributory exposure radio was almost as effective as personal contacts, followed in descending order of importance by salespeople, newspapers, and magazines. Both of the latter had approximately twice the influence for ineffective exposure, while salespeople and radio scored about the same as personal contacts.

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[34] This factor makes the influence of "snob appeal" advertising on people in the mass market doubtful. When doing research into purchasing motives for housing, Kelley found that the middle-class families interviewed were apprehensive about moving into a new suburban housing project of single dwelling units. They feared that the new neighbors would be too far above them socially and would snub them. The typical lower- to middle-class housewife wants the lot of her family improved, but not radically changed; she wants to move one step up the social ladder, but not several. The latter holds unknown terrors for her; she is afraid that she would behave inappropriately in the new environment and that her family will get out of her control.

[35] *Ibid.*, p. 239.

[36] *Ibid.*, p. 176.

Thus, no formal channel of communication, no sales medium, can approach informal personal group influence for effective conditioning. The indirect effect of print media is apparent, while personal selling, radio, and probably television, rank between print media and informal contacts in over-all effect.[37]

OTHER INFLUENCES—SELF-MOTIVATED ACTIVITY

In a study of channels of communication and influence for homemakers[38] Professor George Fisk investigated all the influences at work when the homemaker made a purchasing decision. On an unaided recall basis, 16 per cent of the respondents reported new product purchases of food within a seven-day period. Influences leading to these purchases were:

- 59 per cent learned about new items from seeing them on store shelves or freezers
- 19 per cent learned about them from person-to-person sources
  - 8 per cent—relatives (living outside house)
  - 7 per cent—friends
  - 4 per cent—neighbors and work associates
- 19 per cent first learned about the product through advertising media
  - 12 per cent—television
  - 5 per cent—newspapers
  - 2 per cent—radio

When questioned on an aided recall basis (prompter cards), the proportion of new product buyers increased to 20 per cent. From the latter the following influences were reported:

- 40 per cent—shelves and freezers in store
- 26 per cent—person-to-person channels
- 26 per cent—advertising media
  - 14 per cent—television
  - 5 per cent—newspapers
  - 5 per cent—magazines
  - 2 per cent—radio

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[37] The formal channels have a seeding effect. If they reach the group leaders and influence them, the effect is then disseminated by the leaders to the members. The campaign of *The Saturday Evening Post* that alleges the magazine reaches the "influentials" is an application of this. The advertising and sales media also perform a valuable service in reinforcing influence already flowing in the informal channel; moreover, they are the only way of reaching the socially isolated.

[38] George Fisk, *Consumer Information Channels* (Philadelphia: University of Pennsylvania Press, 1956). Dr. Fisk surveyed on a block cluster probability sample basis 647 "principal meal planners" in Census Tract M-38, Norristown, Pa., by personal interview. Only food purchasing was covered; 595 usable interviews were tabulated.

In most cases these influences were multiple. Respondents would report hearing about the new food item through advertising or through person-to-person contacts, then seeing it on display at the supermarket, and then buying it.

Fisk's investigation reveals several important aspects of marketing behavior. One is self-motivated shopping activity. Previous studies have usually ignored the influence of this factor although the latter has always been considered important for shopping goods, where the consumers compare the offerings of several stores before purchasing an item. However, Fisk established the importance of point-of-purchase stimulation in the sale of convenience goods as well.

Fisk's findings seem to give equal importance to advertising media (formal channels) and person-to-person channels of influence. Katz and Lazersfeld found a great deal less power in the formal channels compared with the informal. However, the latter study covered all aspects of purchasing; Fisk covered only food purchasing, mainly in supermarkets. Point-of-purchase influences would be expected to appear more in a study featuring open display of merchandise. In addition the food items were probably advertised national brands; these would elicit better recall than less frequently advertised shopping goods or specialty goods.

In a study of how buyers shop for a new home, Kelley found that self-motivated exploratory activity was an important factor. Because offerings were not clustered, formal communication channels were more important than in the case of food. The advertising by the builder accounted for one-half of the contacts, as is shown in Table 3.1.

In 32.1 per cent of the cases, however, self-initiated activity by the consumer was responsible for the first contact (sign, driving, watching for project).

DIFFERENCE IN POWER TO INFLUENCE, FORMAL VERSUS INFORMAL CHANNELS

There is little definitive information on this question. However, an inkling is gained through an investigation by Olaf Henell, a Swedish economist.[39] Professor Henell established that housewives better implement or act upon information obtained through informal channels (group discussion) than information obtained via formal channels (lectures). Citing a bulletin of the National Research Council,[40] he showed that information about the advantages of serving seldom-used food items (brains, kidneys, and hearts) in the family diet was imparted to two representative and similar groups of homemakers by two methods, lecture and group discussion. A follow-up demonstrated that 10 per cent of the lecture group had actually served the items in question during a

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[39] Olaf Henell, *Marketing Aspects of Housewive's Knowledge of Goods* (Goteberg, Sweden: Institute for Marketing and Management Research (Meddelande No. 1, 1953).

[40] Committee on Food Habits, *The Problem of Changing Food Habits,* No. 108, October 1943 (Washington: National Research Council).

Table 3.1

Method of Locating Purchase

	Number of Cases	*Per cent of Total*
Friends, relatives, and the like	13	16.0
Real estate agent or broker	0	0.0
Advertisement in newspaper	41	50.6
Sign on property	9	11.1
Driving, came upon house	15	18.5
Liking for builder, watched for project	2	2.5
Publicity in national magazine (*Life*)	1	1.3

Source: William T. Kelley, "How Buyers Shop For a New Home," *The Appraisal Journal,* XXV, No. 2, April 1957, 210 (Table I).

certain length of time, while 52 per cent of the group discussion women had done so within the same period.

SUMMARY

There are several ways to disseminate information to prospective buyers: directly by formal channels through advertising media and direct selling methods; and indirectly by informal channels, horizontally or vertically. Although formal channels serve as initiating, reinforcing, and conditioning influences on the customer, informal channels are more effective in disseminating promotional information. If one can get people talking about a product or brand in their informal group discussions, especially if opinion leaders have been reached, than the seeds have been sown. Whether these seeds take root depends on how acceptable the group finds the product in relation to its group norms and standards of emulative behavior. Often the group must be carefully cultivated through all channels of communication—personal selling, advertising, and publicity—before such norms are changed in favor of the sellers' product. Sometimes the norms never become altered, and the product fails. Promotional effort, per se, will not force a change, but it may help it to occur. Promotion can only do so much—people are not mindless automatons as some writers seem to assume.

As Professor Brooks points out, it is hazardous to overgeneralize from the evidence available, since the study of informal communication processes is still in its infancy.[41] However, the evidence adduced above shows that interpersonal consumer networks of communication exist and that reference groups are important in influencing the purchase of kinds of products and specific brands. As Brooks says, ". . . consumer networks can be highly influential in building the market for new or improved products."[42]

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[41] Robert C. Brooks, Jr., "Word of Mouth Advertising in Selling New Products," *Journal of Marketing,* October 1957, pp. 154-61.

[42] *Ibid.,* p. 161.

Chapter 4

Psychological Barriers to Communication

Since the promotion man is essentially a communicator, he should understand not only how human beings communicate with one another, but also the barriers that inhibit interpersonal communication. If the salesman engenders a personality conflict with the buyer, communication will be frustrated. If the copywriter does not express his ideas simply enough to be read by persons with reading handicaps, he will fail to communicate with a large part of the mass market. If in all kinds of communication—selling, advertising, or publicity—the language is too difficult for the average person to comprehend, the message will not be understood by the audience. Therefore it is necessary to study each of the major barriers to human communication and understanding.

PERSONALITY

There is great confusion today concerning the makeup of personality—its origin, its components, its importance under various conditions, and so on. Part of this confusion can be attributed to conflicting approaches to the concept of personality at the scientific level. If a psychologist, a sociologist, a psychiatrist, a physiologist, and a philosopher were to discuss personality, probably no two of them would subscribe to one explanation. Within any of the above sciences there are, of course, varying schools of thought on the subject.

The situation has become worse with the advent of pseudo-scientific approaches which sound plausible, but fail to withstand scientific analysis. The idea that the shape of a person's head has any bearing on his personality has proved to be in the same general category as Adolph Hitler's astrology.

Finally, all individuals have some nebulous idea as to this concept of personality. We all have heard such expressions as "an aggressive personality," "a likable personality," "he gives me the willies." We all have had the experience of liking a person or disliking a person without knowing why. Men who have served in military organizations have found some superiors whose manner inspired a good job, and others whose actions and appearance were distasteful. Possibly we also have had the experience of finding that a person we respect is disliked by our own friends. It is also true that we inspire different feelings among others. In other words personality is always with us, and because personalities differ, laymen have widely varying concepts of personality.

There is another factor that should be considered when attempting to find reasons for the confusion regarding personality. Science has explained many mysteries of Nature—but not all. It may be that questions concerning personality will never be scientifically answered. Like atomic energy in the physical sciences, personality can be recognized and utilized without a black-and-white explanation of its totality.

Personality, as it is popularly known, usually refers to first impressions, something we see. Psychologists say that when we meet another person for the first time, we attempt to tell what kind of a person he is from many subtle clues—his physical appearance, his dress, his bearing (proud, humble, manly, effeminate), how others regard him (deferential, hostile, contemptuous), and how he regards us (expression, tone of voice, elevation of nose). First impressions, as any salesman can tell you, are extremely important, for they frequently color the whole course of subsequent relations.

However, personality is more than first impressions; it consists of many elements which the eye cannot see. Consider some characteristics of an individual that are associated with his personality.[1]

(1) *Consciousness.* An individual is aware of what is going on about him. He is ready to react to his environment and has sensitivity and perceptiveness. He sees things, forgets them, and yet at a future time, he may remember them with clarity for a moment until they return to some hidden recess of the mind. Compare the individual when asleep and when awake; in the former case he is not reactive to his environment. This condition of consciousness or awareness has no scientific explanation, but it is a characteristic of personality.

(2) *Adjustment to Environment.* An individual, whether a participant or an onlooker, will act one way in the classroom and another way at a football game. This characteristic of adjustment, especially as it applies to people, is important to the salesman and will be considered in greater detail shortly.

(3) *Striving for Specific Goals.* The personality of the individual is reflected in his goals. If you would know a man, determine his goals in life. Each individual has specific activities, conditions of life, and wants and desires of many kinds toward which he strives. His actions can be explained in terms of the ends in view.

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[1] Tiffin, Knight and Asher, *The Psychology of Normal People* (Boston: D. C. Heath & Company, 1946), pp. 100-10.

(4) *Functioning As A Whole.* All people have functional autonomy; personality is the whole person. In meeting a given situation, a person brings his body (its health and appearance), mind, actions, attitudes, mannerisms, voice, conversation, habits, and character. Every individual represents varying combinations of these elements and, just as he is unlike any other in appearance, he is also unique in attitudes, character, and the like.

The importance of inheritance and environment in the development of personality has been a controversy for many years. Both play a part in the development of personality, but their respective contributions are, at present, indeterminate. It is the interplay of the two which is the important point to remember with regard to the development of personality. Someone has said that our equipment is basically hereditary; we get our bone structure, vitality and stamina, reaction time, and basic intelligence from our parents and ancestors. What we *become* is environmentally determined—how we train our bodies and minds, what attitudes we acquire from parents, teachers, and others, and the opportunities we get to exercise our talents and overcome our weaknesses. Thus, an individual brings his physical structure and facial characteristics, mannerisms, and other inherited factors to a given problem; but he also brings his childhood neighborhood, his schoolteachers, so many spankings (if any), and other environmental experiences.

The Freudian school of psychoanalysis has explained the development of personality in somewhat similar terms, as follows:

(1) *Primary Id*—The individual's inherited impulses and cravings. This is the seat of the "primitive man," of the basic drives and emotions.

(2) *Ego*—The reasoning part of the mind. It is progressively built upon the id through development of a sense of external reality.

(3) *Superego*—The censoring part of the mind, the conscience. It is the socially conditioned forces which repress the primary impulses of the id, or rationalize if the impulse is acted upon.[2] Here again, it is the interplay of the above factors which develops and defines a personality.

Personality and the Sales Process

Selling involves the seller, the buyer, and the article, service or proposition being sold. We are concerned with the seller and the buyer in this discussion of personality. Since selling is essentially human communication, and the sale is made in the mind of the buyer, personality cannot be eliminated from the selling procedure. Personality, for instance, may reduce effective communication and interfere with the sale.

Some people have said that personality plays a less important part in selling today than in former years. This claim is not entirely true. What has changed is our view of a good sales personality, not its relative importance. Others have said that the importance of personality varies with the environment of the sale and the object being sold; the error here is confusing quantity of personality with type of personality. For example, one might say that personality plays a more important part in the sale of an automobile to the ultimate consumer than in the sale of a road-building machine to a contractor. It would be more accurate to say that a different type of personality is involved rather than more or less personality—if there is such a thing as more or less personality.

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[2] *Encyclopedia of the Social Sciences* (New York: The Macmillan Co., 1934), **12**, 87.

Most discussions of personality in selling have centered around the personality of the salesman and various methods of measuring or detecting desirable sales personalities. For this reason we shall consider other aspects of personality in selling with the passing comment that personality is complex and those who seek to measure it must be careful in both the techniques used and the interpretation of findings. One other point can be made. The salesman should be introspective. He should attempt to see himself as others do, for knowledge of his own shortcomings can lead to improvement. Since unbiased self-analysis may be impossible, the salesman could distribute cards with space for rating various valuable personality traits to his friends. The latter, after careful thought, could rate the salesman and return the cards unsigned in a self-addressed envelope. Wherever the ratings show a consistently low mark, the salesman has good evidence of a need for improvement.[3]

Although less has been written on the subject, the personality of the buyer is as important as the salesman's in the selling situation. The buyer is also a complex of inherited and environmental factors, and, possibly more important to the salesman, every buyer has a different personality.

In the sales presentation the salesman should attempt to understand the buyer's personality. The "canned sales talk" is an example of the salesman's lack of adaptation. The "salesman" makes the same presentation to all buyers, and, by the law of averages, he makes a certain ratio of sales to number of presentations. This ability to understand and adapt to a buyer's personality requires presenting the product or service in such a way that it will appeal to the individual buyer. Many buyers have a "no" personality; when a presentation is made, they attempt to think of all the reasons why they should not buy. Some buyers have a "yes" personality; they attempt to see the value of the commodity—how it would fit into their home, inventory, or productive process. Obviously the salesman has a more difficult job in the first instance. Upon detecting the negative attitude, he will have to convert the buyer to a more receptive frame of mind before he can even begin to sell his product.

The salesman must look at his product or service through the mind of the buyer. What are the motivating forces of the buyer? What are *his* interests? Too often a buyer sees a salesman and thinks: "Now I'm going to hear about his problems, his product, why he thinks I should buy—

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[3] P. W. Ivey, *Successful Salesmanship* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1940), pp. 108-9.

never about my problems, and the value of the product from *my* situation." As indicated above, the salesman should consider the goals of the buyer.

Perhaps the ability to understand the buyer's personality is inborn, but, more than likely, it comes with experience in selling. The salesman who concentrates on the interview at hand and appreciates the importance of the buyer's personality in a sale will be on the alert to find those appeals which might motivate the buyer and to discard those which fail to register or arouse resistance. Understanding the buyer's personality is not a simple process and the wrong analysis may do irreparable harm. Selling requires concentration. The buyer's place of business, his office, his dress, his attitude in greeting and listening, and his initial comments and questions, are guides to the salesman in this process of adaptation.

Although the emphasis here has been on tact, the adjustment process requires more than this essential quality. The salesman must realize that his personality is analyzed by the buyer and that a good personality is relative. No salesman should overestimate the importance of *his* personality in a sales presentation; he must remember that he represents only 50 per cent of the total personality involved.

When the salesman approaches a buyer for the first time, he will classify him as superior, equal, or inferior to himself.[4] The buyer will do the same. If the mental classification of the two parties results in agreement, the presentation will run smoothly; if they fail to agree, if the buyer feels equal to the salesman while the salesman believes himself superior to the buyer, the result will be conflict, irritation, and a lost sale. Since conflicts arouse resentment and interpose a barrier to communication, the wise salesman will avoid such situations at all costs. He is being paid to sell. Thus, it is more important for him to adapt his presentation to the buyer's personality than to consider the question of superiority or inferiority. Some feel that the successful salesman must dominate the buyer, but it is better if the salesman is flexible or adaptable enough to meet the buyer on some common ground. The salesman need not be obsequious, or try to be all things to all people; he should maintain the integrity of his personality. However, he must play a role analogous to that of an actor. He must sense how the customer wants to be treated, and then deal with him accordingly. Some customers wish to be dominated; others wish to dominate. Some want the salesman to be "hail fellow well met"; others resent familiarity. In all cases the salesman should try to adapt in order to achieve rapport with the customer.

According to Ray C. Brewster, the conscious part of the mind, with its power to think, acts as a guard. If somebody tries to sell us something by challenging this conscious mind, it instantly and automatically goes on the defensive and occasionally adopts an attitude of negative aggression. The subconscious, being more pliable, is an agreeable sales target. If it has no previous prejudices or deepseated behavior patterns to the contrary, it accepts what seems interesting without protest.[5]

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[4] H. K. Nixon, *Principles of Selling* (New York: McGraw-Hill Book Co., Inc., 1942), pp. 137-38.

The salesman's task is to relax the guard of the conscious mind and get his sales idea into the subconscious. It is much easier to communicate with the subconscious as it has fewer built-in barriers, but it is impossible to do so unless the conscious mind is relaxed. This relaxation results in rapport. It involves the ability to establish contact with another's subconscious. Rapport is secured by avoiding conflict situations, by not challenging the conscious judgment of the buyer. It is evoked by establishing a mutuality of interest. As Brewster again puts it:

> The speechmaker who starts with a funny story is also trying unconsciously to get agreement. And when we say "How is your golf?" or "What a wonderful day" we are doing much the the same thing. Rapport is vital to many types of human relationships. In some of them it is often a matter of "doing what comes naturally," as the song goes; in others—selling, for instance—it takes skill and planning, at least to gain maximum effectiveness.[6]

Franklin D. Roosevelt was an expert in obtaining rapport with the voters. He would do this by identifying his objectives with what the voters wanted and by using suggestion to make contact with their subconscious. He would say, in effect:

> My friends, you are interested in greater job security. You want better old age benefits, vacations with pay, and, above all, a fair living wage. We are in agreement on these objectives, I am sure.
>
> I mention these things because I believe in them and I think I may have a plan which may make all of them immediately possible.
>
> Here is the first thing I will do . . . Here is the second . . . Here is how I will get this for you. . . .
>
> Since we all want more security, now and in old age, and since I have a plan which I have shown will work, your best bet is . . . vote for me.[7]

Howard D. Hadley has shown the superior power of indirect suggestion in establishing rapport and in communicating effectively with the customer. He classified 147 gasoline and motor oil advertisements that had appeared in *The Saturday Evening Post* into direct, indirect, and inferred statements of quality. A direct statement makes a challenging statement about the product on the authority of the advertiser—"X motor oil is the best." An indirect quality statement is made by someone else—a film star, a case history, or an independent research laboratory. The inferred quality statement offers no direct or indirect proof; it merely associates the product with things of quality and the reader infers the product must be superior. The effectiveness of the three approaches, as measured by Starch Readership Reports, was found to be as follows:[8]

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[5] Ray C. Brewster, "More Psychology in Selling," *Harvard Business Review,* July-August 1953, pp. 91-99.

[6] *Ibid.,* p. 94.

[7] *Ibid.,* p. 95.

Type of Quality Statement	*Number of Ads*	*Index of Effectiveness**	*Readers per Dollar***
Direct	25	5.3%	69
Indirect	11	6.9%	76
Inferred	73	7.1%	105

* These percentages represent the differences between the proportion of persons who bought the product after reading the particular advertisement checked and those who bought it without reading the ad. The average for Starch Product Purchase studies is 5.5 per cent.

** These data represent the number of noted readers reached per dollar spent by the advertiser.

The above table shows that the indirect statement is better than the direct, and that the inferred statement is better than either of the other two. Dr. Hadley explains the reason for the differences:

> What does this mean? For one thing it seems to imply that when the consumer arrives at a judgment of quality of his own accord (inferred) and probably without realization on his part, that his attitude is changed more profoundly than when a direct or indirect attempt is made to influence him. The inferred method makes no controversial statement, it just associates the product with something the reader or listener greatly desires. It is almost automatic enough to be called a conditioned response.
>
> Perhaps another meaning is verification of the old saying about leading a horse to water.[9]

Getting the customer's viewpoint, finding out what he wants, identifying the product with that want, showing him you are interested in helping him get what he wants—all these establish rapport.

Another aid in establishing rapport is to give the customer the dignity of choice. People like to make their own decisions. An important roadblock is created when the customer feels the salesman is interposing *his* will in place of the customer's will. It damages his (the customer's) ego. Low pressure selling—implanting subtle suggestions, implying mutuality of interest between buyer and seller—establishes rapport by letting the customer make his own decision in dignity and without force.[10] This is the essence of true creative selling.

Good will, as the word is usually applied, refers to the public's feeling toward a given product or firm. To a salesman it is a very personal matter; he thinks of good will in terms of individuals rather than groups. Buyer good will is essential if the salesman is to succeed; it can be acquired if the salesman will place proper value on the buyer's personality and the latter's importance in the sales process. This means that the salesman will seek to understand the interests and attitudes of the buyer and to place the buyer's interests foremost. Thus a common ground will be found, and the salesman can proceed with a satisfactory presentation.

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[8] *Advertising Agency,* October 1952, p. 85.

[9] *Ibid.*

[10] See Edward C. Bursk, "Low Pressure Selling," *Harvard Business Review,* Winter 1947, pp. 241-42.

Some might say that the salesman is required to compromise himself or subject his own personality to severe limitations. His own self-respect of loyalty to his principal are not involved. In the selling process, the burden of proof falls upon the seller. If the sale is to be made, the salesman must take the initiative. He must adapt to the buyer's personality. This is just as important in cultivating a sale as it is in a friendship.

Just as personality plays an important part in achieving success, success has a major role in developing personality.[11] In more familiar words, nothing succeeds like success. This is especially true of personality in selling. A salesman's professional success is made up of a large number of small successes. In fact, one of the prime satisfactions in selling is the sense of achievement after a favorable interview. Courage, enthusiasm, and industry strengthen desirable personality traits, and the salesman with a confident, optimistic outlook will succeed more than one with a fearful, negative view of life.

GENERAL LEVELS OF INTELLIGENCE

What is intelligence? Wechsler defines it as follows:

> Intelligence, operationally defined, is the aggregate or global capacity of the individual to act purposefully, to think rationally, and to deal effectively with his environment.[12]

It is very difficult to isolate the essence of intelligence, as pointed out by Wechsler:

> Tests of intelligence seem to correlate positively with almost any kind of positive achievement or socially approved activity. Ministers, doctors, scientists, engineers, and businessmen, on the average, attain higher scores on intelligence tests than porters, domestics, and unskilled laborers.[13]

Miner states that intelligence has three major dimensions or, as he calls them, variables:

> The actual functioning of intelligence of an individual can be considered as the outcome of the interaction of three primary variables. The first of these, native potential, is postulated as a single, inherited potentiality for complex reasoning that resides in varying degrees in the neural structure of the human being. What we call intelligence actually refers to the learned resultant of the exposure of the individual to a physical environment (the second variable) in which motivation (the third

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[11] Tiffin, Knight and Asher, *The Psychology of Normal People,* p. 184.

[12] David Wechsler, *The Measurement and Appraisal of Adult Intelligence* (Baltimore: The Williams & Wilkins Co., 1958), p. 7.

[13] *Ibid.,* p. 109.

> variable) acts as a catalytic agent. Learning sets are developed to an extent that depends on the degree of native potential, the richness of the environmental stimulus potential, and the strength of motivation to learn from what the environment provides.[14]

For thousands of years people have been aware of innate differences in intellectual capacity among humans. Plato, in his *Republic* (330 B.C.) employed the well-known analogy of the metals to express these differences. He said that some men have the power to command (the men of gold); some are capable of being good auxiliaries or assistants to the men of gold (men of silver); and others only have the capacity to be trained as craftsmen, artisans, farmers and soldiers (men of brass and iron). Plato also recognized that superior intellectual endowments were passed from father to son, although it was possible for a golden father to have a silver son, and vice versa.

Table 4.1

OCCUPATION-INTELLIGENCE STANDARDS FOR CERTAIN OCCUPATIONS

Occupation	*Score Range* (Middle 50 per cent of cases)
Engineer	110-183
Clergyman	124-185
Accountant	103-155
Physician	107-164
Public school teacher	97-148
Draftsman	84-139
Dentist	80-128
Executive (minor)	81-137
Stenographer	73-124
Bookkeeper	77-127
Nurse	78-126
Clerk	74-121
Railroad conductor	64-106
Shipping clerk	54-102
Policeman and detective	46-90
Auto mechanic	43-91
Carpenter	44-88
House painter	38-81
Day laborer (construction)	13-47

Source: Adapted from Melvin S. Hattwick, *How to Use Psychology for Better Advertising* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1950), p. 34.

The validity of this common observation of differences in intelligence among people was not tested scientifically until the latter part of the nineteenth century when the great French psychologist, Binet, devised the first primitive intelligence test for children. Although much progress was made in testing children's intelligence, it was not until the entry of the United States into World War I that the opportunity arose to undertake mass adult testing. The American Psychological Association was asked to devise an intelligence test that would sort out civilians according to their capacities to learn the duties of a soldier and to take more advanced training, such as technical training, leadership training, and officers' training. Over 1.7 million men took the famous Alpha and Beta tests. When tabulation by former civilian occupation categories was made, results similar to those given in Table 4.1 were obtained. For the first time there was an adequate sample to enable generalizations regarding intelligence. For one thing, psychologists pointed out the tremendous difference (something in the neighborhood of 1,400 per cent) between the low-ranking (e.g., day laborer) and the high-ranking occupations (e.g., engineer). Next, they noted that the average draftee did not score very high; in other words the average intellectual level of the masses was fairly low. This does not mean they cannot be useful members of society—carpenters, bricklayers, and clerks are quite necessary to civilization. However, people possessing low I.Q.'s cannot understand abstract propositions or material expressed in difficult language.

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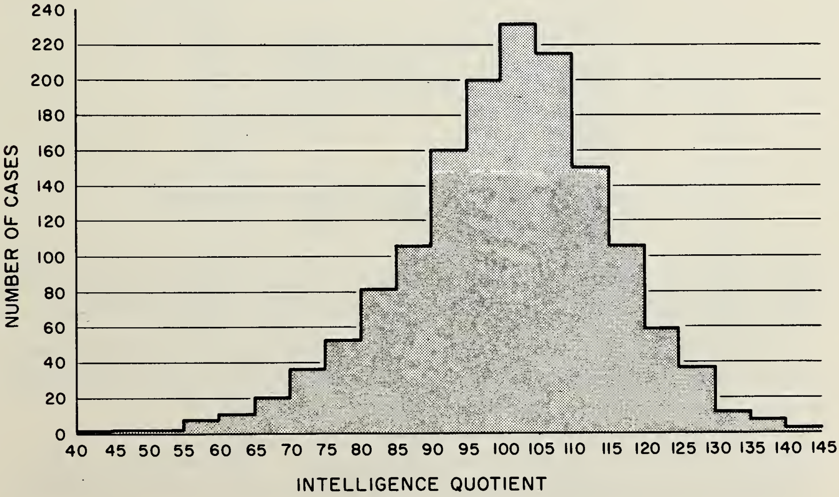
[14] John B. Miner, *Intelligence in the United States* (New York: Springer Publishing Company, Inc., 1957), pp. 143-44.

At the time of World War II the Army General Classification Test was administered to millions of men, and women too. Because of the impressive size of the sample and the improvement in the test and the techniques of administering it, an even more reliable indicator of mass I.Q.'s was obtained. The AGCF test verified the results of the World War I test. Table 4.2 shows the substantial differences in mean scores among selected occupational categories.

Figure 4.1. *Result of David Wechsler's study of 1,508 cases, ages 10 to 60, showing bell-shaped distribution of full-scale intelligence quotients.*



David Wechsler's significant work in measuring adult intelligence offers more recent information.[15] As Figure 4.1 shows, the distribution of intelligence levels in the general population follows the form of a bell-shaped curve. People tend to cluster about the central value (100) with numbers decreasing as they depart from that value.

John B. Miner gives some useful quantitative data regarding the distribution of intelligence by occupation.[16]

Level I–Highly Skilled Workers. Top 12.2 per cent of the intelligence distribution. Primarily high-level professional workers, executives, workers involved in the most technical and complex clerical and sales work, and large-scale farmers. Total of 49 occupations. Examples: lawyer, bank executive, accountant, sales manager, manager of large mechanical farm.

Level II–Skilled Workers. Upper-middle 31.7 per cent of the intelligence distribution. Most retail managers, upper level of skilled blue-collar workers, skilled clerical workers, foremen, wholesale salesmen, lower level of professional workers, relatively large-scale farmers. Total of 107 occupations. Examples: restaurant manager, millwright, stenographer, foreman, real estate salesman, and lab technician.

Level III–Semi-skilled Workers. Lower-middle 38.4 per cent of the intelligence distribution. Primarily lower-level skilled workers, semi-skilled routine clerical workers, retail sales clerks, most farmers, proprietors of relatively simple businesses. Total of 110 occupations. Examples: boiler maker, shipping clerk, tenant farmer, house-to-house salesman.

TABLE 4.2

RESULTS OF WORLD WAR II AGCT SCORES
CONVERTED TO STANDARD SCORE I.Q.'S

Category	*Mean Score*
Professional men	120
Semi-professional and managerial	113
Clerical, skilled and retail workers	108
Semi-skilled and minor clerical	104
Slightly skilled	96
Laborers	95
Farmers	94

Source: D. M. Johnson, "Applications of the Standard I.Q. Score to Social Statistics," *Journal of Social Psychology,* **27** (1948), 217-27.

Level IV–Unskilled Workers. Lower 17.7 per cent of the intelligence distribution. Primarily laborers and unskilled service workers. Examples: farmer, newsboy, janitor, garbage collector.

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[15] David Wechsler, *The Measurement and Appraisal of Adult Intelligence,* p. 107.

[16] John B. Miner, *Intelligence in the United States,* p. 60. Dr. Miner's intelligence distribution is based on a survey of 1,500 people.

Table 4.3

Educational Levels—U.S. Totals

	Graduates				Years of School Completed by Persons 25 years plus (Millions of Persons)					Per cent			
	High School		College										
						School Through Elementary				School Through Elementary			
Year	Millions	Per cent of Population over 15 years	Millions	Per cent of Population over 20 years	Population 25 years plus	0-4 years	5-8 years	High School	College	0-4 years	5-8 years	High School	College
					B O T H S E X E S								
1940	25.7	26.0	3.9	4.5	—	—	—	—	—	—	—	—	—
1950	38.3	35.0	6.0	6.0	87.5	9.8	32.6	33.0	11.9	11.2	37.2	38.1	13.5
1960	51.6	41.7	8.1	7.3	99.0	8.0	30.5	44.8	15.7	8.1	30.8	45.3	15.8
					M A L E S								
1940	11.8	24.0	2.3	5.2	—	—	—	—	—	—	—	—	—
1950	17.6	32.9	3.4	7.0	42.6	5.2	16.4	14.9	6.1	12.3	38.4	35.0	14.3
1960	24.0	39.7	4.8	9.0	47.8	4.3	15.2	19.9	8.5	8.8	31.0	41.6	17.8
					F E M A L E S								
1940	13.8	28.0	1.6	3.7	—	—	—	—	—	—	—	—	—
1950	20.7	36.9	2.6	5.1	44.9	4.5	16.2	18.4	5.7	10.1	36.1	40.9	12.8
1960	27.6	43.5	3.3	5.8	51.2	3.8	15.3	24.9	7.2	7.3	29.8	48.8	14.0

Source: **U.S. Department of Health, Education and Welfare.**

In either written or spoken communication the advertising copywriter or sales representative should keep his presentation on a simple level. People in the mass market, the nether 56 per cent (Levels III and IV), do not like to think and will avoid any communication that threatens to burden their intellect or demands straight, logical thinking; they respond emotionally to life and its problems. In communicating with them short, simple, Anglo-Saxon words should be employed. The sales presentation should be personalized and brought down to the human relations level. Symbols and pictures should be used as much as possible to reduce burdensome reading.

Dr. Rudolph Flesch gives some useful rules which, if followed, will produce communication on a level simple enough to be understood by the masses. His readability formula states that sentences should be about 11 words or less, should have about 26 affixes per 100 words, and should have about 14 references to people per 100 words.[17] These standards, of course, are difficult to meet, but applying them will aid in communicating with the mass market.

TABLE 4.4

SCHOOL ENROLLMENT NATIONAL—1960

Grades	*Number of Students*	
Public Schools		
Kindergarten - grade 8	28.1 million	
Grades 9-12	8.1 million	
Total Public Schools		36.2 million
Private Schools		
Kindergarten - grade 8	5.4 million	
Grades 9-12	1.1 million	
Total Private Schools		6.5 million
Total Enrollment		42.7 million

Source: Office of the Secretary, U.S. Department of Health, Education and Welfare, *Health, Education and Welfare Trends,* 1961, p. 56.

EDUCATION

As shown above, environmental influences are important motivating and conditioning factors in the development of intelligence. Since education is a prime factor in environmental conditioning, it is important for the communicator to understand the general education level of the American public.

We have made rapid national progress in public education in the last generation. Today the total school enrollment is more than 42.7 million, as is shown in Table 4.4. Educational levels of the population, 15 years or over, have risen greatly in the past twenty years. As Table 4.3 indicates, the proportion of high school graduates rose from 26 per cent to 41.7 per cent from 1940 to 1960. During the same period the percentage of college graduates rose from 4.5 per cent to 7.3 per cent. However, since 58.3 per cent of our adults are *not* high school graduates, and 92.7 per cent of our population are *not* college graduates, the typical American adult has about a junior high school education (10 grades). This is better than a generation ago, when the typical adult was equipped with no better than an eighth grade education.[18] In another generation the typical American may have a junior college education.

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[17] Rudolph Flesch, *Writing to the Millions* (New York: Macfadden Publications, Inc., 1946), p. 30. See also his *Art of Plain Talk* (New York: Harper & Row, Publishers, 1946), and *The Art of Readable Writing* (New York: Collier Books, 1962).

Since the average person today does not even have a full high school background, the mass-market communicator must be sure that the level of his advertisement or sales presentation is low. If he uses college-level communication, he will not be understood by 91 per cent of the adult men and 94.2 per cent of the adult women of this country; more than one-half of the people may not comprehend his message if he talks on a high school level. If the prose is simple, those with lower educational achievement will understand as well as those with wider educational backgrounds. If the printed material has plenty of space between the lines, it will be easier to read. If a familiar type face is used (standard Roman oldstyle or modern) and typographical tricks are avoided, there will be less to hinder effective communication. The use of symbols, pictures, and comic strip formats will facilitate understanding, for "One picture is worth 1,000 words."

READING BARRIERS

Shannon and Weaver say that approximately 30 per cent of the "bits" of information transmitted in a normal generalized communication system are lost between transmission and reception.[19] If the reception system were subnormal, you can imagine how much greater the loss of the message would be.

One important cause of communication loss is poor reading habits.[20] In our generation, educators have learned that children who seem stupid are doing poor work because of reading difficulties rather than deficient I.Q.'s. The New York University Reading Clinic gives the example of a 12-year-old boy who was failing his courses in school. His I.Q. tested out to 130, a superior level, but his reading abilities were poorer than those of an eight-year-old. He read as though deciphering a code, saw letters in reverse position, and read things backward. Such difficulties are thought to arise because of a conflict between the right and left sides of the brain for dominance. Other reasons are unbalanced eyes, malfunctioning glands, and psychological disturbances. If their troubles are diagnosed, such children can be helped to develop proper reading habits.

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[18] John B. Miner, *Intelligence in the United States,* p. 70.

[19] See Chap. 3.

[20] Of course physical defects—poor eyesight, deafness—may cause communication defects. This is not always the case. The 12-year-old referred to later had good vision.

There are several types of reading deficiencies:

> 1. Those involving eye movements and lip movements, such as frequent pauses per line, excessive number of regressions, inaccuracy of the return sweep of the eyes, irregular rhythm, and excessive vocalization, inner speech, and lip movements.
> 2. Those involving the ability to grasp the meaning of printed words, phrases and sentences.
> 3. Those occurring in connection with the evaluation, organization, appreciation, and utilization of the facts gained from reading.
> 4. Those involving interest, motive, and purpose.[21]

Fortunately, progressive school systems are setting up methods for the discovery and treatment of reading difficulties. However, since such remedial treatment was unknown in the school days of many of us, how well does the adult population read?

Dr. Guy F. Buswell studied intensively the reading habits of a sample of 1,000 adults. His findings prove that a large proportion of our adult population has marked reading deficiencies. For example, 74 per cent of the adults had a narrower span of recognition than the average for high school seniors, and 52 per cent had a narrower span of recognition than the average for sixth-graders.[22] Buswell states:

> The general reading ability of adults as far as the reading of this thousand subjects is concerned, is much lower than is evidently assumed by many teachers of adult classes. The difficulties in their reading process result in such slow reading that only limited assignments are possible.[23]
>
> . . .
>
> The startling finding in this investigation is the fact that many adults, even those who have gone through high school or college, still read with a process characterized by marked immaturities in such basic factors as span of recognition, speed of perception, suppression of vocalization, and ability to react intelligently to unfamiliar words.[24]

Thus, reading involves fatigue, frustration, and difficulty for a great many adults and can be a real barrier to communication. Applications of these findings are fairly obvious. Advertising copy should be as short as possible. Long sentences and complicated words should be avoided, the message should be personalized, spaces should be used between the lines, and as much symbolization as possible should be employed—pictures, cartoons, and comic strip formats may be given the burden of conveying the meaning with a minimum of explanatory copy. Auditory media, radio and television, have the advantage of circumventing the reading difficulties described above. The personal salesman has this advantage, too.

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[21] Ruth Strang, *Problems in the Improvement of Reading in High Schools and Colleges* (Lancaster, Pa.: Science Press, 1940), p. 17.

[22] Guy T. Buswell, *How Adults Read,* Supplemental Educational Monographs No. 45 (Chicago: University of Chicago Press, 1937), p. 140.

[23] *Ibid.*, p. 141.

[24] *Ibid.*, p. 143.

REACTIVITY TO EMOTIONS

As will be explained more fully in Chapter 5, people tend to respond emotionally rather than rationally to life. They are always interested in the great wants of life, such as food, sex, and success, and will exert special effort to overcome communication barriers to receive such information. They will do so, also, where there is a strong emotional appeal. In these cases, too, more rapport is established, and people will receive this kind of appeal with less censoring and more belief and confidence. They will receive and remember pleasant communication with more readiness than unpleasant communication. Personalizing the sales presentation will enhance communication, since an abstract, objective selling argument burdens the intellect. People do not like to think, even those quite capable of doing so.

Chapter 5

Human Motivation

It is appropriate to begin our discussion of the psychology of promotion by considering the mainsprings of human behavior. We must know why people behave as they do before we can understand how to influence or modify their behavior by communicating with them.

All living organisms are essentially reaction systems. This is true of even the simplest uni-cell microorganism (amoeba) as well as more complex beings (plants, fish) and quite complex entities (lower animals, primates, man). Living creatures attempt to maintain homeostasis.[1] When a change in the environment upsets this state, the organism takes compensatory action to overcome or adjust to the change. As Fredericq says:

> The living being is an agency of such sort that each disturbing influence induces by itself the calling forth of compensatory activity to neutralize or repair the disturbance.[2]

When physiological cell activity burns up energy and exhausts food compounds, the organism's homeostasis is upset, and food-seeking activities are set in motion to replace the material in question. The pressure of waste products arouses activities which eliminate both the waste products and the pressure. Accumulation of fatigue products inhibits activity and gives the organism a chance to dispel them. In abnormally high temperatures normal body temperature is maintained by withdrawal or other suitable adjustment by simple organisms and sweating by more complex creatures.

In very simple terms, the disturbance of homeostatic equilibrium results in a deprivation; the deprivation *drives* the organism to take action to restore homeostasis. Thus, we speak of a hunger drive, thirst drive, and sex drive. The altered physiological state creates a deprivation or need. As soon as a higher organism is aware of the need, it becomes a want. The appropriate action which the creature takes to fulfill or satisfy that need is called motivated behavior. The organism has a drive (hunger); it has an incentive (objects in the external environment suitable for food); it has a motive (incentive-directed behavior). The motive leads it to explore its surroundings and capture a suitable supply of food objects. Drives provide the "push from within"; motives afford a "push in some relevant direction." However, it is more useful to speak of "motivation" or "motive" than of "drives," since a motive is purposeful. The organism has a drive or felt need for something and knows what kind of substance or object from its environment is required to lessen the tension created by the deprivation; its resulting activities are goal-directed toward the incentive.

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[1] Organisms, by their own activity, tend to maintain a constant state of equilibrium with their environment. The word "homeostasis" represents this tendency toward biological equilibrium.

[2] In W. B. Cannon, *The Wisdom of the Body* (New York: W. W. Norton & Company, Inc., 1932), p. 21.

Writers on motivation often differentiate between needs and wants. A need arises from a deprivation drive; when the human senses this need, when it breaks through the threshold of his consciousness and he becomes aware of it, then a want is created. We are all busy satisfying our various wants, but we must not lose sight of the fact that more primitive motivation lies behind them.

By now it should be obvious that a study of human motivation is vital to an understanding of the selling and advertising processes. Nothing happens so long as the organism's homeostasis is maintained in a constant state. Only when disturbed by a biological drive or some external event does action occur. The job of the sales or advertising man is to induce an alteration of behavior through suitable conditioning. He must call attention to the need, changing it to a want. Then he must demonstrate how his product or service provides the best solution to the want. Sometimes he actually creates a want for the kind of product he is promoting, although it is doubtful that he can ever create a need for it. For example, men of the past were always seeking better means of traveling about the earth's surface. In a sense, there was a latent need for air travel; however, the state of the arts could not provide the means. After the invention of the airplane and the coming of commercial aviation, it was necessary to tell people how air travel was a better solution to their basic need for transportation than extant alternatives (foot, boats, horseback, bicycles, automobiles). The need had to be transmuted into a want, or demand for air travel had to be created.

Economists, as well as sales and advertising people, should be familiar with basic principles of human motivation, for behind all market demand (and demand schedules) lie human wants and needs. The scope and direction of production and marketing in a free economy depend upon the hierarchy of wants—how important the satisfaction of various wants are to the consumers. Since priority of wants hinges upon the relative strength of motives, the latter must be of great concern to the economists.

To make generalizations about motives, it is necessary to classify different kinds. Psychologists have worked out many different classification systems. Marketing men, examining such systems in order to make application, have met with a great deal of confusion. Each authority—Allen, Copeland, Burtt, Starch, Britt, Hattwick, and others—has a somewhat different list of motives; each includes and excludes some that others do not.[3]

More recent authorities, departing from the rather simple and pragmatic viewpoints of the earlier writers, have attempted to return to the fundamental psychological basis of human motivation. Murphy, Murphy, and Newcomb list four groups of human motives: visceral drives, activity drives, aesthetic drives, and emotions.[4]

1. *Visceral drives*	2. *Activity drives*	3. *Aesthetic drives*	4. *Emotions*
Hunger	Exercise	Color	Fear
Thirst	Rest	Tone	Rage
Air-getting	Perseveration	Specific qualities	Disgust
Temperature	Rhythm	of taste, smell,	Shame
regulation	Novelty	and touch	Hate
Sex	Curiosity	Rhythm	Love
Others	Others	Others	Others

To this sound and useful classification of motives, the authors have added certain other motives arising from the social environment, which ★ they have called "social motives." Thus, we have individual motives (originating from within the individual) and social motives (arising from perception of the social environment without).

INDIVIDUAL DRIVES

1. *Visceral Drives*

a. *Hunger.* The visceral drives are the most primitive. All organisms, from the amoeba up the scale of evolution, probably have them. Without food and drink we cannot survive, and appeals to the hunger drive or need can be very strong. Color advertisements can make very attractive sensory appeals; strong buying habits can be engendered by skillful selling and advertising of food products. Since the homemaker is concerned with planning the family meals and gives frequent voluntary attention to suggestions that will aid her in solving her food problems more effectively, it is not difficult to set up habit patterns of purchasing behavior. Advertisers in the food and drink fields try to establish such habitual purchasing patterns in favor of their brands or to upset the habit of purchasing competitive brands.

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[3] For an excellent summary of many of these systems of classification, see Melvin T. Copeland, "Some Notes on Consumer Buying Motives," in M. P. McNair and H. L. Hansen, *Readings in Marketing* (New York: McGraw-Hill Book Co., Inc., 1949), pp. 55-62.

[4] Gardner Murphy, Lois Barclay Murphy, and Theodore M. Newcomb, *Experimental Social Psychology* (New York: Harper & Row, Publishers, 1937), pp. 98-99.

Of course the way the hunger need is appeased depends on the culture. Members of a certain African tribe respond to hunger by capturing large grasshoppers, which are abundant in their environment, stripping them of legs, and swallowing them, head first. The Southern Italians consume octopus, the French eat snails, and so on. In some societies people eat three meals a day; in others, two or one. In comfort economies only a small minority ever feel the pangs of naked hunger. Cultural conditioning of the visceral drives is very strong indeed, but an appeal to hunger will always be a strong appeal, simply because it is common to all, is frequently aroused, and gratifies several senses.

b. *Thirst.* Thirst is just as fundamental a drive as food. In fact, experiments with rats show that thirst is the strongest visceral drive, excluding air-getting.[5] In most human environments the thirst drive is satisfied automatically and routinely, without much thought. However, soft drink and alcoholic beverage companies have found that strong appeals can be built around the sensory gratification of satisfying thirsts and the pleasant taste associated with the action.

a *Sex.* The sex drive is complicated. It really has two aspects, physiological and emotional. From a physiological standpoint the sex glands in the adult build up discharge products and secrete hormones which destroy homeostasis and create tension. Completion of the physical sex act overcomes the tension and restores homeostasis for a while. While not so immediate and demanding as the hunger and thirst drives, the sex drive is strong and underlies and conditions much of our emotional life. Directly attributable to the sex drive is the emotion of love, which has two aspects —love of the opposite sex and love of children.

Strong selling appeals may be formed by using the sex motive. Since the overwhelming majority of such appeals allude to the emotional aspects rather than the physiological process, further discussion will be deferred until emotional motives are treated.

Other Visceral Drives. Since humans satisfy the remaining visceral drives rather automatically, they need not concern the marketing man. For example, most people are not even aware of the air-getting drive, unless their supply of air is suddenly cut off.

Temperature regulation is more important. It may be the basic reason why people demand warm clothing in a cold climate, protective clothing in the tropics, and housing in all climates. However, cultural influences modify this basic need. Research shows that it is not an important motivation in the purchase of a home; people buy houses for quite different reasons.[6] Likewise, a stenographer buys a mink coat with little thought for the warmth of the mink compared with beaver, cat, or rabbit; the mink coat is a status symbol.

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[5] Norman L. Munn, *Psychology* (London: George G. Harrap & Co., 1946), p. 210. After thirst comes hunger, then sex.

[6] Ralph Bodek, *Why People Buy Houses* (Philadelphia: Municipal Publications, Inc., 1958).

Some writers give "comfort" as one of the important buying motives.[7] The comfort need obviously is made up of other visceral drives. Strong appeals can be made to this desire for homeostasis—a salesman shows how comfortable his new innerspring mattress is; a manufacturer of gas furnaces shows a warm, cozy room in winter.

In summary, since the visceral drives deal with basic biological processes, they are very strong and pervasive. The seller is never wrong in basing his appeals on these motives if a good, sensible connection can be made between his product and the need.

2. *Activity Drives*

From birth a baby exhibits periods of motor activity, followed by periods of rest. At first the movements are random and uncoordinated. As the child becomes older, he develops definite activity patterns. He begins to explore his environment, learning to distinguish between objects (mother, dog, table) and specific qualities of taste, smell, and touch. The baby will respond to rhythm, beating his spoon on a tray in time to a military march. In short, he is beginning the long process of making associations between objects and experiences. However, from the start, there is a strong generalized activity drive; the child has an innate curiosity and craves new experiences. Thus, in the category of activity drives, we have exercise, rest, response to rhythm, and an inborn curiosity which creates a desire for exploration and a constant search for novelty.

When the child becomes older, he is able to fix his attention on some specific activity for a longer and longer period of time. At the age of one he goes aimlessly from toy to toy. At three or four he can focus his attention on one activity for some time. The psychologists say that he is developing perseveration (ability to carry through on an activity).

Although their importance declines somewhat after childhood, activity drives continue through life. There is an inner drive for play, sport, and adventure. Many products are sold by employing appeals to our activity drives—tours abroad, cabin cruisers, sporting equipment, do-it-yourself power tools. Campaigns which allude to the "new and different," and so pique the curiosity of the customer (teaser campaigns), depend on the vast inherent curiosity of the human being. Therefore news formats do well in advertising.

3. *Aesthetic Drive*

Psychologists believe there is an inherent tendency for human beings to respond to beauty. Babies appreciate bright colors—particularly, reds, blues, and yellows. They beat time to music, and soon develop a liking, or a dislike, for certain tastes and smells.

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[7] Melvin Hattwick, *How to Use Psychology for Better Advertising* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1950), p. 89.

Standards of taste are acquired from the culture. The child must learn what to value and not to value, i.e., which sounds are considered music and which are not. He emulates the aesthetic standards of his parents.

Products that are artistically designed and advertisements that adhere to well-accepted principles of design, balance, and harmony, will evoke a pleasant reaction, an empathy. The resulting good feeling will carry over to the product being sold, thereby improving its image in the mind of the customer. Hence, good design is always a "plus value" in the sales process.

4. *Emotions*

Emotions are difficult to analyze because they are subjective experiences. Although emotions are accompanied by certain physiological changes in the body (fear—sweating, rapid pulse, increased or decreased blood pressure, injection of adrenalin into the blood), the feeling that accompanies the emotion is experienced solely by the person having it.

Emotion has been defined as "an acute disturbance of the individual as a whole, psychological in origin, involving behavior, conscious experience, and visceral functioning."[8] At birth the human baby probably has only one emotional response—general excitement. As the child grows older, he shows more specific responses. Rage appears early: if the bottle is taken from a hungry baby, he threshes about with his limbs, his face becomes scarlet, and he crys angrily. Love comes next, as the child comes to value the food and security afforded by his mother. After he has experienced some accidents and has been hurt, fear develops. Disgust and shame come later in maturation with the emergence of the superego and must be learned from the parents.

As he matures, the child learns to master his environment and to control his emotions. He learns which ways of expressing emotions are socially acceptable and which are not. However, he will always experience emotional arousal, and many of his attitudes, feelings, patterns of activities, and goals of life will be intimately sparked and modified by emotional responses to his environment.

Psychologists cannot agree on how many different emotions are discernible. Many overlap—love and affection are degrees of the same basic emotion; rage and hostility are closely linked. One psychologist distinguishes 20 emotions.[9] Regardless of the number, appeals to the emotions are used a great deal in selling and advertising. If the advertiser can arouse a strong emotional response and anchor his product or brand name to it, his message will receive attention and interest and make a deep impression.

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[8] Munn, *Psychology*, p. 280.

[9] F. H. Lund, *Emotions* (New York: The Ronald Press Company, 1939), pp. 195-98. They are: fear, horror, disgust, repulsion, aversion, dislike, annoyance, anger, sadness, sorrow, despair, hopelessness, pity, admiration, amusement, humor, affection, love, tenderness, passion.

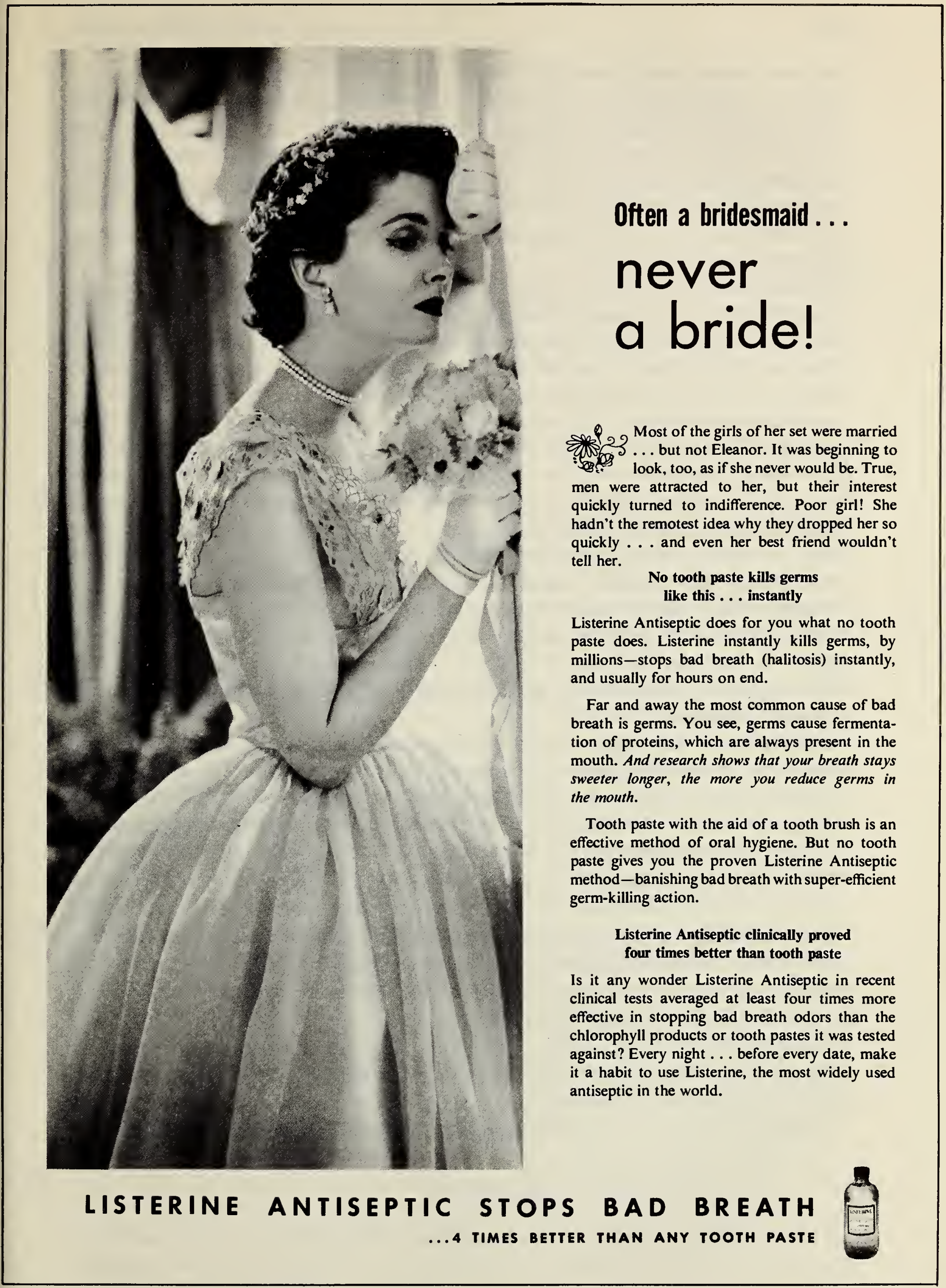
As noted above, rage and hostility are among the earliest emotions to appear in the human. Although appeals designed to create rage or hostility are not common in commercial communication, public opinion people have used them successfully to secure civilian support in wartime. They know that one of the best ways of rallying support from an ingroup is to suggest that it is threatened from without. All modern dictators employ this method, as do all nations, authoritarian or democratic, in time of war.

Fear is commonly evoked in selling and advertising. Known as "scare copy" in the trade, appeals to fear are of two kinds: fear of bodily harm, and social fears. Many tire manufacturers have employed appeals to bodily harm. They may show a car with a blowout teetering on the brink of an abyss. Fortunately, the tire had a new safety tube which preserved tire pressure and thereby saved all from disaster. Other kinds of scare copy allude to social offenses. Some of the greatest advertisements of the past were narratives of how someone showed his or her gaucherie by committing a grave social fault. Use of the product (Irium) would have saved the person (Miriam) from those lonely nights! The wallflower, after reading the advertisement, can readily project herself into the situation—"Who knows, maybe the product *would* help! Better give it a try."

Strong, overt emotional appeals, however, must be used with great care. If one emotion is too strongly aroused, it may elicit another emotion which the advertiser definitely does *not* want. For example, many years ago the manufacturer of a certain brand of cigar ran an advertisement in a large number of magazines which showed an unsanitary-looking old man making a cigar by hand. He was licking the end of the cigar to seal it. The headline read: "Spit is an ugly word, especially on the end of your cigar." The copy explained that the company never made cigars in this manner. It had a sanitary modern factory in which the product was untouched by human hands (or tongues). However, judging from readership reports, most readers were horrified, then disgusted. Many cigar smokers shifted to cigarettes or pipes at a time when the per capita consumption of cigars was already declining.

Another reaction to unpleasant strong emotional experiences is repression. Sigmund Freud taught that people repress unpleasant or disturbing emotions from the conscious into the foreconscious or subconscious. On a conscious level they seem to have forgotten such experiences, but the latter stay in the subconscious where they are the source of subsequent neuroses or psychoses.

Pragmatic support of Freud's theory of repression came from a research study undertaken in 1959 by Norman, Craig and Kummel, a New York advertising agency. The investigation correlated Nielsen network ratings of certain top television programs at the time with Trendex sponsor identification figures. The study found that, although six of the top ten shows were western, crime, or mystery shows, the average sponsor identification of such shows was little more than 8 per cent. The average sponsor identification for situation comedy was 11.1 per cent; drama, 12.2



Often a bridesmaid . . . never a bride!

Most of the girls of her set were married . . . but not Eleanor. It was beginning to look, too, as if she never would be. True, men were attracted to her, but their interest quickly turned to indifference. Poor girl! She hadn't the remotest idea why they dropped her so quickly . . . and even her best friend wouldn't tell her.

No tooth paste kills germs like this . . . instantly

Listerine Antiseptic does for you what no tooth paste does. Listerine instantly kills germs, by millions—stops bad breath (halitosis) instantly, and usually for hours on end.

Far and away the most common cause of bad breath is germs. You see, germs cause fermentation of proteins, which are always present in the mouth. *And research shows that your breath stays sweeter longer, the more you reduce germs in the mouth.*

Tooth paste with the aid of a tooth brush is an effective method of oral hygiene. But no tooth paste gives you the proven Listerine Antiseptic method—banishing bad breath with super-efficient germ-killing action.

Listerine Antiseptic clinically proved four times better than tooth paste

Is it any wonder Listerine Antiseptic in recent clinical tests averaged at least four times more effective in stopping bad breath odors than the chlorophyll products or tooth pastes it was tested against? Every night . . . before every date, make it a habit to use Listerine, the most widely used antiseptic in the world.

LISTERINE ANTISEPTIC STOPS BAD BREATH

. . . 4 TIMES BETTER THAN ANY TOOTH PASTE

Figure 5.1. *A classic example of scare copy.* (The Warner-Lambert Pharmaceutical Co.)

per cent; quiz and panel 13.1 per cent; and variety, 17.0 per cent. Mr. Norman reported that warm, human, friendly shows, such as Laurence Welk and Ed Sullivan, received very good recall for the company or product which sponsored them. Formats involving shootings, murder, mayhem, and danger, despite high listenership ratings, received low ratings for sponsor identification.[10] Obviously, Freud's repression was at work; people forgot the shows of violence as well as the sponsor's product and trademark.

In conclusion, negative appeals to fear, disgust, and the like, are excellent attention-getters. Although the morbid has a great appeal, people will not remember the message or brand of product connected with negative advertising. Since it has poor impression and memory value, such scare advertising must be used with great caution.

Another important emotion, and the last to be discussed, is love. The basis for this emotion is the sex drive. There are two manifestations of love—love of opposite sex, and love of offspring. Love, of course, is one of the most pleasant of all the emotions, and tremendous attention is paid to it in our culture. It is the basis for most of our play and motion picture plots, novels, poems, and other works of art. Love is also an important mainspring of economic activity, for a major incentive to succeed in life is to give one's loved ones a better standard of living and improved social status. Parents will make nearly any sacrifice to better the lot of their children. Just as the caveman liked to throw the day's hunt at the feet of his spouse, the modern breadwinner is happy to show his wife an enlarged paycheck.

Sellers have used appeals based on love of children or love of the opposite sex. They are good attention-getters; they hold interest, since nearly everybody has a high interest in sex; and, properly done, such advertisements can make a strong and lasting impact by arousing strong emotions.

Of course some sex appeal advertising is not in good taste and arouses emotions of aversion and disgust. Other appeals to sex fail to make a relevant, sensible connection with the product. Certain advertisers use "eye stoppers"—pretty girls are supposed to stop men; babies attract the attention of women. However, if the pretty girl is trying to sell a Stilson wrench, or the baby a digital computer, there is no sensible connection, and no lasting impression will be made.

Sex appeals must be used with great discretion when advertising to women. Advertisers may "kid" sex when addressing men, and the latter will see humor in it, but females take sex and children seriously and do not approve of advertising which makes light of them.

Other Individual Motivations

Besides taking account of the emotional life of his customer, the seller should understand certain other psychological mechanisms that often have an important influence on the customer's motivation. According to Munn, these arise from conflict situations, or frustrations caused by environmental obstructions (legal sanctions, social barriers), personal defects (low intelligence, deformities), or conflicting motives (studying or going to the movies).[11] Decision-making on the marketplace also produces frustration. People interested in selling must deal with reactions to conflict all the time, and therefore should understand them.

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[10] *Advertising Age,* April 10, 1959, p. 2.

The first type of reaction is *compensatory reaction*, sometimes called the "sour grapes" reaction. We find many examples in daily life—an unattractive girl becomes a Phi Beta Kappa; a man whose sex outlets are frustrated by ugliness or extreme shyness becomes a great athlete; a business tycoon who has had an argument with his wife and is unpleasant to his hapless employees. Sometimes people overreact to barriers—a small man (Napoleon, Mussolini) becomes a dictator or captain of industry; a Theodore Roosevelt, born with a slight physique, becomes a strong man; an ugly girl becomes a great actress.

Other people engage in self-repudiation, a very dangerous form of reaction. Since they feel incapable of overcoming barriers, they reproach themselves unjustly. Some become overcritical and blame others for their insufficiencies—the student who flunks a course blames the teacher for being a "poor teacher." Another reaction is to belittle others—the rejected candidate to a desirable fraternity claims the fellows were a mediocre bunch anyhow.

Fantasy is an interesting reaction to stress and conflict. A person who leads a humdrum life may daydream of being a great lover, a millionaire, or a great astronaut. However, nearly everyone engages somewhat in daydreams. The sale of certain products is probably based on such fantasy reactions. Moving pictures, television, drama, and the like, remove people from mundane existence and give them vicarious experiences. Perfume advertisements paint a picture to women of adoration by a handsome male. Fantasy and narcissism have been successfully employed by advertisers—"I dreamt I was . . . in my Maidenform Bra."

Identification is closely related to fantasy; one closely identifies himself or herself with another person, group, or institution. Father identifies with his college son and thereby relives his own college experiences. The avid baseball fan identifies himself so closely with the home team that a defeat seems a personal disaster to him. A plain girl identifies with an actress via movie magazines. Her most minor doings will be followed avidly; her walk, hairdo, dress, and latest interests will be copied with great accuracy. Even off the screen, her triumphs are the fan's triumphs, and the fan suffers when the star comes to the end of a big romance.

We also probably identify with our prized possessions. When the typical American man smashes the fender of his car, he feels anguish akin to actual pain. Psychologically speaking, the car is a powerful extension of the owner's potency—damage it and you damage him. Some copywriters (e.g., Rosser Reeves) attempt to engender this identification or "empathy" in their ads—"Good old General Motors is my company"; "Sears, Roebuck really understands my problems. What nice people!"

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[11] Munn, *Psychology,* Chap. 14. Much of the material that follows is drawn from this source.

Akin to compensatory reactions is *projection.* When an individual projects, he attributes his own thoughts and attitudes to others. An older woman who is lonely and desperately desires masculine company imagines that every man has designs on her. Her reason could tell her that the reverse must be true, but she wishes it were true so much that she suspends her reason subconsciously and believes it to be true.

Rationalization is an attempt to justify one's decisions by finding reasons for them. A man who wants a new set of golf clubs because he is tired of the old set will have to justify the purchase not only to his wife and associates, but also to *himself.* He thinks up good reasons for the purchase—the old clubs are getting rusty; new clubs might improve the game; the trade-in on the old set would provide the money for a new set. A man who buys a shiny, crome-plated new car to bolster his ego and show off to the neighbors is naturally somewhat ashamed of his motives. Since he is unwilling to admit them to himself, even if he is consciously aware of them, he repeats what the salesman told him and what he read in the advertising. He gives good, solid, "rational" reasons for the purchase to himself, family, and friends—the new car is so durable; it depreciates less in value; it is very economical; the trade-in was superior.

Selling and advertising employ the motivations described in this chapter. All who have sold, as well as psychologists, are convinced that the emotions are very strong and that the overwhelming majority of decisions to purchase consumer goods, even important ones such as houses, cars, major appliances, and the like, are based on emotional motivation. Since human beings are rather ashamed of their "primitive" emotions, they cover up or rationalize decisions in order to preserve the fiction that they are completely rational creatures. The seller must recognize this. Even when some goods are sold through emotional appeals, it is wise to include "rational arguments," reason-why copy, material that the buyer may utilize in justifying his actions to himself and associates.

Regression is another interesting reaction to conflict. When frustrated, people often revert to earlier, more immature forms of behavior. A frustrated or disturbed woman will cry like a two-year-old. A shell-shocked soldier will curl up into a foetal position and refuse to respond to his environment. A frustrated eight-year-old will revert to earlier play patterns, or have the temper tantrum of a one-year-old baby.

All adults probably regress to earlier patterns of behavior to some extent. We all have observed very old people "in their second childhood." Staid middle-aged people may behave like adolescents in the nightclub of a distant city. A college student, having received news that he failed a course, may storm about and throw things just as he did as a two-year-old.

The authors suggest that a good deal of purchasing behavior has elements of regression. The popularity of "adult" westerns on television is partly explained by the liking people had for "real" western films in childhood. Adult patterns of play, sport, and adventure are not too different from those of children. The immature, naïve plots of soap operas over daytime radio represent the regressive interest of adult listeners. Some of the childish television commercials also give evidence of the reality of regression in our adult population. Advertising appeals that harken back to the associations of childhood may be very effective in establishing rapport with the reader. One of the earliest motivation research projects, done by Weiss and Geller, established that people associate wine with happy family ceremonies of childhood. Such childhood themes became the basis for a successful advertising campaign for Mogen David Wine.

The last species of reaction to frustration that we shall study is *repression*. People may react to conflict situations by refusing to admit the existence of the difficulties in question. When a person inhibits an urge, he consciously refuses to follow it. When he represses something, he forces it down into the subconscious and refuses to admit it exists consciously. As shown above, people repress threatening or very unpleasant things. Thus, "scare" copy, or negative sales appeals, are very dangerous to employ. People tend to repress them, and the seller loses the benefit of any conscious motivation to buy his product.[12]

Any of the motives that have been discussed as conscious motivation may also be subconscious. In fact, most real motivation takes place at a subconscious level. The whole field of motivation research, which developed so rapidly in the 1950's, is predicated on the theory that people could not tell an interviewer the real reasons why they had purchased a given product. All the interviewers would get from direct questions were rationalizations. Hence, psychoanalytical techniques of interviewing were employed (depth interviewing, free association, projection, role playing,) to uncover these hidden buying motivations. Although many of the depth interviewing projects were superficial and employed faulty techniques and untrained interviewers, they have provided insight into the true reasons why people buy products or fail to buy them. One generalization is that people "buy with their hearts rather than with their heads." They *try* to be economic men, to use their reason on the marketplace, but they do not succeed very well. The overwhelming strength of their primitive emotions (the id), acting at a subconscious level, determines what they buy. The reasoning part of the brain (the ego) trys to prevent or inhibit the most outrageous impulses, and covers up by rationalization those actions it does not succeed in inhibiting. The conscience (the superego) stands by to make the buyer feel guilty over those primitive actions that escape the ego. For example, the wife who buys a frivolous hat for an excessive price to impress her friends, and who cannot wholly succeed by rationalizing that it is a good value, or necessary for church, or will look nice, feels guilty and hides the purchase from her husband (until he gets the bill).

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[12] Whether there is buying influence at the subconscious level is a moot point. Perhaps the commodity need-brand association connection remains in the mind after the unpleasant connection has been forgotten. If not, the linkage with the unpleasant would remain and constitute a real barrier to purchase of the brand in question. The authors believe the latter is how it would tend to work. Some would disagree with this. Singing commercial writers get attention by irritating the listener, depending on the irritation being forgotten while the association between the brand and the need for the commodity remains.

SOCIAL MOTIVATION

In addition to the individual motives discussed above there are social motives. These arise because the individual must relate himself to society. His social milieu teaches him certain values. Therefore, these are learned motives rather than inherent tendencies of the human being.

1. *Gregariousness*

Munn says: "Starting with birds and going up the scale of evolution, there is a strong tendency for animals who are isolated to return to the group."[13] Some psychologists claim that this tendency to seek the companionship of our fellows is an inborn or inherited trait; others point out that gregarious animals, such as man, spend all their hours from birth in the presence of others and thus are conditioned to gregarious behavior. Whether inborn or acquired, this motive is a strong universal tendency. Most people live in cities and towns and belong to numerous formal and informal organizations. They learn to conform; they learn by copying others. Thus, there is a strong tendency toward emulation and conformity.

Since people are members of a certain socio-economic group, most of their patterns of consumption are prescribed by the group norms. They must live in a certain size house, in a certain section of the city, have so many cars within a certain range of makes, have certain appliances, go to a certain church, even have so many children. The range of choice within this prescribed "package" of goods and services is surprisingly narrow.

The role of the seller is to show how his good or service is in the mode and belongs in the social group (Pepsi's "sociables"). If it does not belong or is not accepted, it is the seller's job to make it such through skillful promotion.

Gregariousness also explains the peculiar phenomenon known as the fashion cycle. Fashion spreads vertically from group to group and horizontally within the group. Desire to conform explains why fashion trends are so powerful that they are capable of altering a person's standards of what is appropriate and aesthetically beautiful.

2. *Self-Assertion*

This is the reverse of gregariousness. In order to be gregarious, people have to submit their individual goals and desires to group or social objectives. They must defer and submit to leaders, mores, folkways, and laws of their culture.

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[13] Munn, *Psychology*, p. 222.

Alfred Adler states that all normal people in a society have a "will to power," a desire to show superiority over others, and he claims this motive to be even stronger than the sex motive.[14] Comparative studies of primitive societies by Dr. Margaret Mead raises serious doubts regarding the innateness of this tendency to self-assertion and pugnacity.[15] She demonstrates that the degree of pugnacity and self-assertiveness exhibited in individual behavior is conditioned by the social group. Arapesh children are taught to suppress their pugnacity and cooperate with the group. Mundugumor women impose a harsh, spartan regimen on their infants, who grow up to be pugnacious, harsh, and antisocial.[16] Our society takes the middle ground. The American male is expected to be strong, capable of looking after his own interests, and successful. At the same time, people of the twentieth century do not admire the overtly selfish robber baron-type.

The desire to be superior is an important buying motive. Although we emulate those with whom we should like to be identified, and conform to group norms, we also wish to show where we are better than average. We wish to be looked up to and emulated also. Thus, when Mr. Smith considers the purchase of the big, chrome-plated Belchfire 400, he pictures how he would look driving down his street in it and how impressed the neighbors would be. The mink coat he purchased for his wife happens to keep her warm in the winter, but it also sets her apart and shows in tangible, unmistakable terms that the Smith family has arrived at a superior station in life. Motivation research investigators have unearthed a great deal of data to show that many items are purchased as symbols of status—houses, cars, trips abroad. For many years such outfits as International Correspondence School have been selling their mail order courses using such appeals as "How to get ahead," a direct appeal to the motive of self-assertion.

3. *Acquisitiveness and Other Economic Motives*

Acquisitiveness is defined as the tendency to acquire, possess, and defend whatever is found useful or otherwise attractive.[17] McDougall thought this was an inherited motive but modern studies of different cultures have led to the theory that economic motivations are generally learned rather than inherent.[18] In other words, one must learn to be an economic man. The young child, for example, has no idea of conserving his resources; he will give away his toys, pennies, and other possessions. The child soon learns from his parents the value of having more than others. Possession becomes an ego-inflating device; it gives him bargaining power, for he can trade his store of goods with other children and get things he wants. Among the culturally engendered or learned wants are bargains, cleanliness, dependability, convenience, efficiency, quality, style, economy, and profit. Two of these, cleanliness and style, are not related to the acquisitive motivation, but we have included them here because they are learned wants.

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[14] A. Adler, *A Practice and Theory of Individual Psychology* (New York: Harcourt, Brace & World, Inc., 1929).

[15] Margaret Mead, *Sex and Temperament in Three Primitive Societies* (New York: Mentor Books, 1950).

[16] *Ibid.*, parts 1 and 2.

[17] Munn, *Psychology*, p. 223.

[18] *Ibid.*

Writers in the marketing field often make a distinction between "emotional" buying motives and "rational" motives. Those listed in the paragraph above are generally termed "rational," and all the others discussed in this chapter would be "emotional."

Authorities such as Hattwick say that rational motives are weaker than emotional motives because the former are learned rather than inherent and therefore lie less deeply within the subconscious.[19] Although advertisers do much better when they try to influence people through emotional motives rather than rational wants, advertisements in current newspapers or magazines show that the majority of advertising appeals employed are to rational, rather than emotional motives.[20] Hattwick explains this as follows: (a) Many advertising men are not sufficiently acquainted with the facts to recognize the strength of the emotional motivations; (b) many products sell well even when rational appeals are used for them; and (c) rational appeals reflect favorably on the advertiser, for they stress qualities of his product in which he takes pride. Moreover the advertiser likes to be thought of as a rational man.[21]

Hattwick points out that creative advertising people are often hampered by the "sales egotism" of their clients. The manufacturer wants to brag about his product, his organization, and his early history. The reader, on the other hand, is not interested in such material. He wants to know what the product will do for him. As James S. Young has pointed out, he buys psychological satisfactions with his money.

Does this mean that there is no place for "reason why" appeals, appeals to the economic man? Hattwick shows that rational appeals are still effective:

"(a) For articles that are impersonal, utilitarian, and instrumental, and for which no logical tie with basic appeals can be found.

"(b) For articles that may not have full social approval, and for which the secondary (rational) appeal provides a justification.

"(c) As a supplementary means of further increasing the effectiveness of the basic appeal."[22]

Reminder advertising by its very nature cannot make an emotional appeal either. It is used to remind people of the brand, and to refurbish their memories between conventional advertisements.

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[19] Hattwick, *How to Use Psychology for Better Advertising,* p. 118.

[20] One of the authors made an informal investigation of *The Saturday Evening Post,* in which he analyzed the advertisements according to whether the predominant appeal was emotional or rational. More than two out of three ads employ rational motivation and less than one out of three appealed to one of the emotional motives.

[21] *Ibid.,* p. 122.

[22] *Ibid.*

As Hattwick demonstrates, some articles and services simply refuse to lend themselves to emotional treatment. Since the reader cannot become emotionally involved with a drop-forge press, most industrial or business advertising and selling employ rational appeals to economy, durability, money gain, and the like. Moreover, professionally-trained purchasing agents are schooled to think as economic men—they react negatively to any attempt to inject emotionalism into communication reaching them.

An example of an article not having full social approval might be a personal hygiene product. People would consider emotionalism to be in bad taste; cold, clinical facts, or obscure symbolism to avoid embarrassing the reader must be used in selling such a product.

Finally, when Hattwick mentions rational appeals as a supplement to increasing the effectiveness of the basic appeal, he is referring to the process of rationalization discussed above. Although a strong appeal to one of the basic emotions can be made on a symbolic level, rational appeals (durability, economy, profit) in the body copy give the reader material on which to base his or her rationalizations.

Chapter 6

Attention and Interest

Securing attention is all important for the advertisement or sales story. Attention is a condition in which an environmental stimulus of some kind (light, noise, odor) causes one or more sets of sensory receptors to be "tuned in" on the stimulus. The bright, contrasting colors of an outdoor poster causes the observer to alter the position of his eyeballs and focus the lenses of the eye to receive the light image more clearly on his retina. A sudden noise causes one to turn his head in such a way as to receive further sound waves more distinctly. When a salesman in a store begins to demonstrate a vacuum cleaner, the passer-by is attracted by the motion and noise of the machine and stops to look and listen.

After the initial "tuning in" or focusing of the receptors in question, further attention paid to the stimulus depends on whether the interest of the customer is aroused. Interest is defined as tying up the incoming messages from the receptors with past sensory experience. If the message is related to something that promises to be satisfying or threatening, if it coincides with a goal or aspiration, further attention will be paid; the person becomes occupied with relating the stimulus to past experience and structuring it into a meaningful perception. To use our example above, the passer-by *sees* the movement and *hears* the sound of a vacuum cleaner being demonstrated. He only *perceives* that the salesman is doing the demonstrating when he ties up the act with past experience. He has seen people perform similarly in the past; they relate to a pattern of form and sound that was associated with a kind of gestalt, i.e., he perceives in wholes. No one act of the vacuum demonstrator does the job—the form of the machine, its noise, its motions, and the locus of the act unite to convey meaning. The resultant perception may or may not stimulate attention. If it is commonplace, if the passer-by has no need for an electric cleaner at that particular time, if something more urgent is on his mind, then he may not devote any further attention. However, if something in the demonstration arouses his curiosity and appeals to his self-interest, he may draw closer to the demonstration and devote further attention to it. In the case of the billboard mentioned above, the observer ties up the simple message with past sensory experience very quickly, for it is impressionistic—"It says the new Ford is out. Interesting, I need a new car. Better go to my Ford dealer and look into that!"

WHAT IS ATTENTION? WHAT CAUSES IT?

Webster's New Collegiate Dictionary defines attention as "heeding . . . power of giving attention," but people in advertising and selling are more interested in the psychological and physiological aspects of *attracting* this attention. Concentrated attention is difficult and requires effort, for it requires attention to a series of successive stimuli—a word following a word and a sentence following a sentence.[1]

The causes of attention can be illustrated by the behavior of a simple object like a drum. To get a certain volume of sound, either a drum is beaten hard with physical force or a sensitive drum is beaten lightly. The first means is force and the second is the responsiveness of the object itself. Similarly, since humans are sensitive to weak lights, the latter elicit a response from within a person, while a bright light is a physical stimulus.[2]

This example of light intensity shows that to be different is to attract attention. If a person is sitting in a room and the room temperature is gradually increased, he takes no notice of it until the change is so great that he becomes conscious of it. This change is felt by one or more sensory experiences, or stimuli. The human mind decodes these stimuli and makes sense out of them. Since human sensitivity is limited, we do not feel the radio waves in the air nor hear the enormous amount of noise below and above a range of intensity. However, this sensitivity can be increased by proper training—jewelers, cotton specialists, and others can assess value just by seeing and feeling a jewel or commodity. A more commonplace example is the automobile driver. His eyes are trained to look for a red light, and when he sees one, his mind decodes and translates it into the physical action of applying his brakes.

Interest produces attention and calls for continued perceiving rather than just "seeing." This results in stimulus. When the sense impression is very simple—a sound or a flash of light—it is called a stimulus; when it is more complex—an invitation, a problem, a strange object, an advertisement—it is called an appeal. Similarly, simple reactions are movements and complicated reactions are responses.[3]

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[1] James P. Wood, *Advertising and the Soul's Belly—Repetition and Memory in Advertising* (Athens: University of Georgia Press, 1961), p. 102.

[2] A. J. Poffenberger, *Psychology in Advertising* (New York: McGraw-Hill Book Co., Inc., 1929), p. 151.

[3] Harry L. Hollingworth, *Advertising and Selling* (New York: Appleton-Century-Crofts, Inc., 1920), p. 18.

Attention fluctuates greatly. It stays at a given point only for a split second. This has been demonstrated by various studies conducted with the aid of eye cameras, special Purdue eye cameras, and other precision techniques. Even for the short time that attention is fixed, its range is extremely limited; "the span of attention," as it is called, is very small. Psychologists have presented this fact graphically as seen in Figure 6.1 .

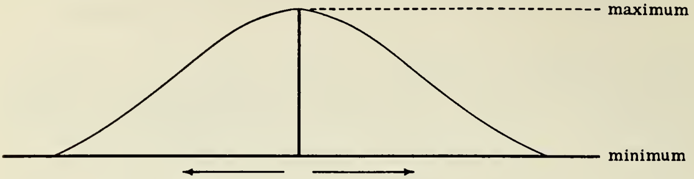

Figure 6.1. *The span of attention.*

Attention is maximum and sharp at the peak. As it moves away from the peak, concentration becomes less and less. For a person under hypnosis the peak comes to a sharp point; only one idea or one suggestion gets his attention.[4] To advertisers this means that the range of attention, which is already narrow, will be further limited to a part of the page, one ad on a given page, or even part of a small advertisement. Thus, any advertisement should have a logical pattern in the arrangement of its contents—this idea underlies the concept of unity and gaze motion in copy.

Although an ad may succeed in attracting attention, it may fail to get the desired response. Attention is only a preparatory adjustment for further response, a setting of the strings of consciousness, a programing of the mind. An individual who has been adjusted to an advertising situation is in a position to make any further responses that may be desired; what will or will not occur depends upon the individual's characteristics and sometimes upon the act of accommodation in the sense organ employed—eye, ear, fingertips—which brings still clearer perception.[5] This attentive state is also characterized by the dominance of one idea, image, impression, or a set of these and the subordination of all others. Consciousness always has a focal point, which, as pointed out earlier, is always occupied by that which is being "attended" at the time.[6]

Attention is not easy to get initially and may be even more difficult to hold for any length of time. Here, personal selling has a decided advantage. The skilled salesman can get attention through the force of his personality. The customer does not like to be discourteous and usually will not reject the stimulus at once. Moreover, the salesman can change his presentation to new channels if he senses that attention and interest are lagging.

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[4] Poffenberger, *Psychology in Advertising,* No. 1, p. 151.

[5] Hollingworth, *Advertising and Selling,* p. 46.

[6] *Ibid.*

Advertising, however, must invite, rather than force, attention to its sales story. There is only that second or so when the consumer is focusing his receptors on the advertisement and relating it to past experience, to arouse interest. If the advertisement does not hold the attention of the consumer, the latter immediately classifies it "uninteresting" and focuses his receptors on something else.[7] Like a binary electronic computer, the consumer makes a quick perceptual classification of the incoming message into "interesting"—worth further attention—or "uninteresting"—eliminate the stimulus, turn the page, flip the radio dial, look away from the poster. If the latter happens, the advertiser has failed utterly; the advertisement which cost him so much money and effort might just as well be a blank sheet of paper or a period of twenty-second silence on the electronic medium. Therefore, it is most important to know how to get and hold the attention of the reader, viewer, or listener.

Psychology can teach a great deal about securing attention, since the latter has been the object of countless laboratory experiments and observations. The following "laws" of attention have been established.

Range and Duration of Attention

Thousands of tests have been made on how much a person can attend to in one act of attending and how long the attention can be held. As far as range goes, the average person can, in one act of attending, take in the meaning of five or six words, or six or seven numbers. Some people seem to have a greater span of attention—they read rapidly down the page of a book, appearing to cover a whole paragraph at a time. However, psychologists believe that such persons have nearly the same basic range of attention; they simply fix on successive groupings of words or numbers faster than people with slower comprehension.[8]

Duration of attention is also short. An old experiment in elementary psychology consisted of asking the subjects to hold their watches to their ears and, by conscious effort, to concentrate exclusively on the ticking of their respective watches. After a measured time (one minute), the instructor would conclude the experiment and ask the students whether they had succeeded in doing as instructed. Invariably, they would report failure. The subjects then would be requested to write down all the thoughts that had intruded upon their consciousness; among the many thoughts reported, none were about watches, ticking, or even psychology. This experiment proves that the mind of the typical individual tends to shift about into all kinds of channels and byways. Even though he wishes to focus on one subject for a long period of time, he is not able to do so because of the short duration of his attention.

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[7] Some authorities in the electronic communication field believe that modern man has developed a new defensive mechanism—the ability to "tune out" an uninteresting radio or television commercial mentally while still receiving messages from a physical point of view through visual or auditory receptors.

[8] A few gifted individuals with "photographic memories" may have extraordinary spans of attention. For example, a favorite parlor trick of Thomas A. Edison was to glance over a page of a telephone directory, hand it to another person to check, then recite the names, addresses, and telephone numbers of everybody listed on the page without error. He said he could see the whole page in his mind's eye, and would simply read from this "page." One of the authors knew such a man. Given clues, such as date, subject, and addresses of a business letter, this man could completely recall it and give a verbatim playback of the contents of the communication. Being in the travel business, he could simultaneously keep track of the progress and present location of each and every tour, numbering as many as twelve at one time.

Applications of range and duration studies to selling and advertising are obvious. They point up the advantage of making headlines short and keeping copy broken up, short, and easy to read. If the motivation is strong enough, long, involved copy will be read. A purchasing agency is paid to keep up with the latest methods, new cost-saving materials, and the like. A college student reads an uninteresting lesson because he fears failure and the denial of a college degree. It is a matter of motivation. In most cases, the advertiser cannot count on having more than middling-to-weak incentives to read or hear his message. Therefore he must invite attention and hold initial interest by using the strongest possible appeals.[9]

Attention and Favorable Mental Set

As noted above, the course of people's thoughts (called the stream of consciousness by psychologists) does not concentrate on any one subject for any length of time. Yet, paradoxically, for large numbers of people in a common culture or society, predominating streams of consciousness may be similar at any given time. For example, a professor lecturing before lunch hour may guess that many students are thinking about their forthcoming lunch. Ladies reading the women's page of the local newspaper are more likely to be thinking of housekeeping than of golf, finance, or art; similarly, men reading the sports page are not thinking of child care or government fiscal policy. That is, given a certain time and environmental situation, a given group of people are apt to be thinking in a certain common direction, although within this context, individual streams of consciousness will fluctuate into many channels.

It is easier to attract attention and interest when the person addressed is in a favorable mental set, when he is thinking along the same lines as the message. If he is not, the stream of consciousness has to be shifted from one course to another; resistance is involved in this process, especially if the new subject is quite different from the previous one.

The mental set theory accounts for the success of the topical advertisement. For example, readership reports demonstrated high readership of the Westinghouse advertisement showing the new atomic submarine, the Polaris. Since people had read about this radical new submarine, they were already thinking about the ship and interested in receiving additional information about it. Westinghouse took advantage of the prevailing streams of consciousness of the American public. Whenever there

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[9] Appeals to primary wants, for example.

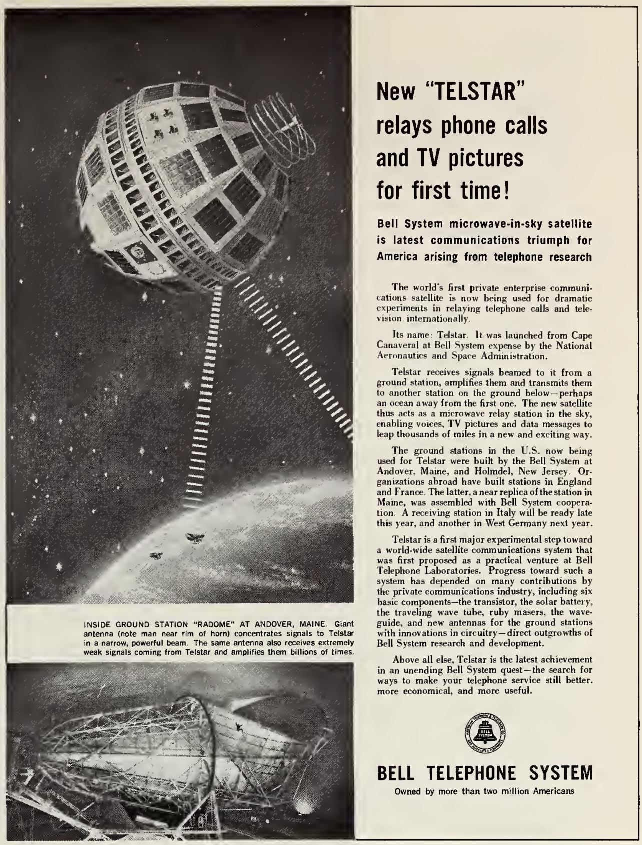

Figure 6.2. *Timeliness in advertising.* (Bell Telephone System)

New "TELSTAR" relays phone calls and TV pictures for first time!

Bell System microwave-in-sky satellite is latest communications triumph for America arising from telephone research

The world's first private enterprise communications satellite is now being used for dramatic experiments in relaying telephone calls and television internationally.

Its name: Telstar. It was launched from Cape Canaveral at Bell System expense by the National Aeronautics and Space Administration.

Telstar receives signals beamed to it from a ground station, amplifies them and transmits them to another station on the ground below—perhaps an ocean away from the first one. The new satellite thus acts as a microwave relay station in the sky, enabling voices, TV pictures and data messages to leap thousands of miles in a new and exciting way.

The ground stations in the U.S. now being used for Telstar were built by the Bell System at Andover, Maine, and Holmdel, New Jersey. Organizations abroad have built stations in England and France. The latter, a near replica of the station in Maine, was assembled with Bell System cooperation. A receiving station in Italy will be ready late this year, and another in West Germany next year.

Telstar is a first major experimental step toward a world-wide satellite communications system that was first proposed as a practical venture at Bell Telephone Laboratories. Progress toward such a system has depended on many contributions by the private communications industry, including six basic components—the transistor, the solar battery, the traveling wave tube, ruby masers, the waveguide, and new antennas for the ground stations with innovations in circuitry—direct outgrowths of Bell System research and development.

Above all else, Telstar is the latest achievement in an unending Bell System quest—the search for ways to make your telephone service still better. more economical, and more useful.

INSIDE GROUND STATION "RADOME" AT ANDOVER, MAINE. Giant antenna (note man near rim of horn) concentrates signals to Telstar in a narrow, powerful beam. The same antenna also receives extremely weak signals coming from Telstar and amplifies them billions of times.

BELL TELEPHONE SYSTEM

Owned by more than two million Americans

is mass excitement about a current event, relevant advertising will be received with heightened attention and interest.

This theory also accounts for the success of the integrated commercial on radio or television. The Johnson Wax radio network show of the 1930's, "Fibber McGee and Molly," was one of the first to use the integrated commercial. The program announcer appeared as a readily identifiable character and was joined by McGee and Molly themselves in a humorous treatment of the commercial after the show format. Since the commercial did not violate the spirit or continuity of the show and tied in with the streams of consciousness already established, it held the attention of and was liked by the audience.

It is also good strategy to choose a medium and a position within a medium that will coincide with a favorable mental set—golf clubs should be advertised on the sports page, a soap product on the woman's page, a drug in a professional magazine.

Involuntary and Voluntary Attention

Two types of attention may be distinguished—involuntary and voluntary. Involuntary attention occurs when a person pays attention to a stimulus whether he wants to or not; he cannot avoid it because of its intensity. When a hundred-year-old flour mill exploded a few blocks from where one of the authors was lecturing, the intensity of sound and resulting shock wave attracted and held the attention of students and teacher alike. It was some time before the latter was able to restore a mental set favorable to receiving information about advertising principles again.

Voluntary attention occurs when one seeks and desires to receive the stimulus. People want to go to the theater and voluntarily focus their attention on the drama before them while seated there.

Some selling and advertising situations deal with voluntary attention. If, for example, a person has a felt need for an automobile, he may visit several showrooms, ask questions, compare prices and product features, get a demonstration, ask friends for an account of their experience with brands under consideration, and consult *Consumer Reports* because he has an incentive to find out all he can and to pay attention to advertising, sales arguments, and the like. Some kinds of advertising enjoy voluntary attention; the readers seek out the advertisements and read them eagerly. Most large department store and chain food store advertising deals with voluntary attention—housewives read the advertisements as shopping guides. The same is true of mail-order catalogues and the classified sections of the daily newspapers. Much industrial advertising also benefits from voluntary attention; business men read it to learn what is new, how to make more money, or how to outdo competitors. Industrial catalogues and red books (such as *Sweet's Catalog*) are other examples.

When dealing with voluntary attention, less emphasis needs to be placed on attention-getting devices than when dealing with involuntary attention. A classified advertisement needs no picture; a simple headline is sufficient to get attention because the reader already has a well-defined demand for the product. The copy of mail-order catalogues is written carefully and accurately, since it must present a reliable word picture of the product's attributes and features. The illustration is of subsidiary importance, for it is not required to obtain attention; the reader already wants to read the information.

Other kinds of advertising deal with involuntary attention. People happen on and are exposed to such advertising by chance. A family is out for a Sunday drive, and all of a sudden a 24-sheet poster advertisement flashes up from the side of the road. Those who see it have not sought it out, did not intend to see it, may not have wanted to see it. One is flipping through his favorite magazine and happens upon a full-page color advertisement. He did not mean to see it; he was looking for an interesting story or article to read.

Advertisers who are dealing with involuntary attention must find some way to assure that their advertisements will get attention. They must use "eye stoppers" or in some other way intrigue the reader into devoting further attention to the message. The judgment comes when the reader first glances at the advertisement and classifies it "interesting" or "uninteresting." If the advertisement is rejected at this point, *that* prospect is lost.

ARTIFICIAL AIDS TO ATTENTION

1, *Size*

The larger an object is, the more likely it is to be seen. This principle has been known pragmatically from the earliest days of advertising. Advertising men have always thought that attention value could be increased if the advertisement were taken from a quarter-page to a half-page, or from a half-page to a full-page. The question that always puzzled them was the degree to which attention is heightened when size is increased.

Early research in the 1920's indicated that a full-page advertisement more than doubled the attention from a half-page. However, a biasing factor was at work at that time: full-page representation in magazines or newspapers was a rarity. The novelty value alone of a full page enhanced attention because of the contrast with the other relatively small advertisements. Research after large full-page advertisements had become more common indicated that increasing the size does not increase attention in the same proportion; attention lags behind size increases. This was shown by Rudolph's investigation.[10] When he took the attention value of the average full-page advertisement and called it 100.0, the average half-page advertisement scored about 60, as is shown by the following:

Size of advertisement	*Index of attention*
Half page	59.7
Full page	100.0

Comparison of a large number of copy research surveys treating magazine advertisements led to the formulation of the "square root" law[11]: If you want to double the attention-getting ability of an advertisement, you must increase the size about four times, not twice. Increasing the size of an advertisement by nine times will not yield nine times the attention, but $\sqrt{9}$ or three times.

The "law" has many exceptions. Size and attention value vary with the product advertised—where there is high intrinsic interest in the product, the attention value resulting from increased size is much greater. Large-sized advertisements get more attention in newspapers than in magazines. Large space enables the use of other strong attention-getting devices discussed below, such as color, isolation, contrast, and the like.

The budgetary authority must carefully weigh the greater cost occasioned by large-space representation against the heightened attention value that size brings. Sometimes, the added attention is not worth the added cost; in fact, some advertisers have used small-space advertisements successfully for years and have found that these ads reach prospects at a much lower cost per 1,000 noters than larger ads.

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[10] Harold Rudolph, *Attention and Interest Factors in Advertising* (New York: Printers' Ink Publishing Co., Inc., 1947), p. 33.

[11] George Burton Hotchkiss, *An Outline of Advertising* (New York: The Macmillan Co., 1933), pp. 169-70.

2. *Intensity*

Increasing the intensity of any stimulus increases its attention value. We all pay involuntary attention to a screaming fire siren or to a sudden flash of lightning in a storm. Thus, increasing the lighting intensity of a store window will stop more passers-by. Adding bright neon tubing to a sign will increase its attention-getting power, since the receptor cells of the eye will be stimulated more intensively. Turning up the sound of a store's public address system to announce a bargain will attract more shoppers.

Color, by its very nature, heightens the attention value over black and white. The anatomists tell us that the receptors in the eye (the retina), are composed of two types of cells—rods and cones. Rods are sensitive to form and motion. They transmit black and white images, but not color. Although the rods are abundant in the outer edges of the retina,[12] they thin out toward the center of the retina, being replaced by cone-shaped cells. The latter are sensitive to color and give us our sense of color perception. Now, when we see an advertisement in full color, more sensory receptors, cones as well as rods, are stimulated, thus heightening intensity and attention. The advertising executive must compare the heightened attention value obtained from color[13] against the substantially increased cost of color compared with black and white. When he is dealing with involuntary attention, the added cost is often worthwhile; it frequently is not in voluntary attention situations. Thus, color is not usually employed by local retail newspaper advertisers or by business paper advertisers.

3. *Movement*

Movement is a strong incentive to attention for at least two reasons: (1) the peripheral area of the eye is especially sensitive to motion, and (2) motion appeals to a sense which most people are not aware they have, the kinesthetic sense. There are sensory endings in our muscles and tendons which inform our brains about the relative position of the various body members.[14] They also tell us when our body is moving and in what manner. Psychologists believe that our love of sports is partially derived from a desire to gratify this kinesthetic sense; we participate vicariously in a football game even though we are sitting in the stands.

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[12] We see objects in black and white out of the "corner of the eye." The rods are also very sensitive to motion. This aids us in perceiving danger (approaching auto).

[13] There are other advantages to be considered: color is truer to life; subjective meanings may be suggested (red—danger; violet—mystery); and sensory impressions may be made (light blue—coldness; orange—warmth).

[14] You can tell where your arm is in relation to your body with your eyes closed.

(*Text continued on page 120.*)

SUPPLEMENT*

This is an attempt to show some of the mechanical aids employed in advertisements to capture attention. No specific order or system has been maintained either in the arrangement or in the comments. Most of the ads speak for themselves. Many of them have more than an ordinary combination of the usual attention-getting aids: color, illustration, humor, and presposition.

The ads featured are from a wide range of publications and feature a variety of products.

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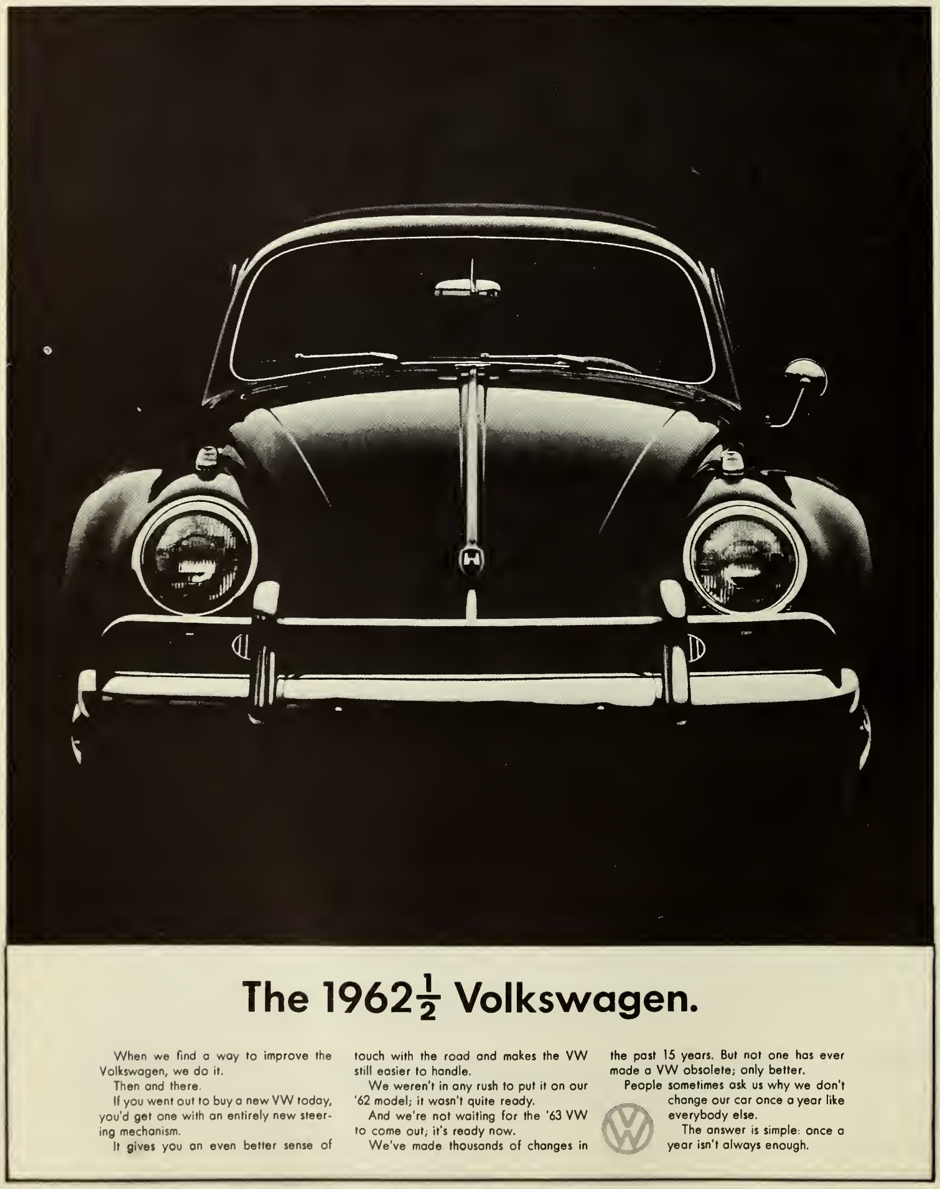
* This group of illustrations was supplied by Mr. K. N. Nandola, to whom grateful appreciation is expressed by the authors.

Headline strategy—curiosity. (Volkswagen of America, Inc.)



The 1962½ Volkswagen.

When we find a way to improve the Volkswagen, we do it.

Then and there.

If you went out to buy a new VW today, you'd get one with an entirely new steering mechanism.

It gives you an even better sense of touch with the road and makes the VW still easier to handle.

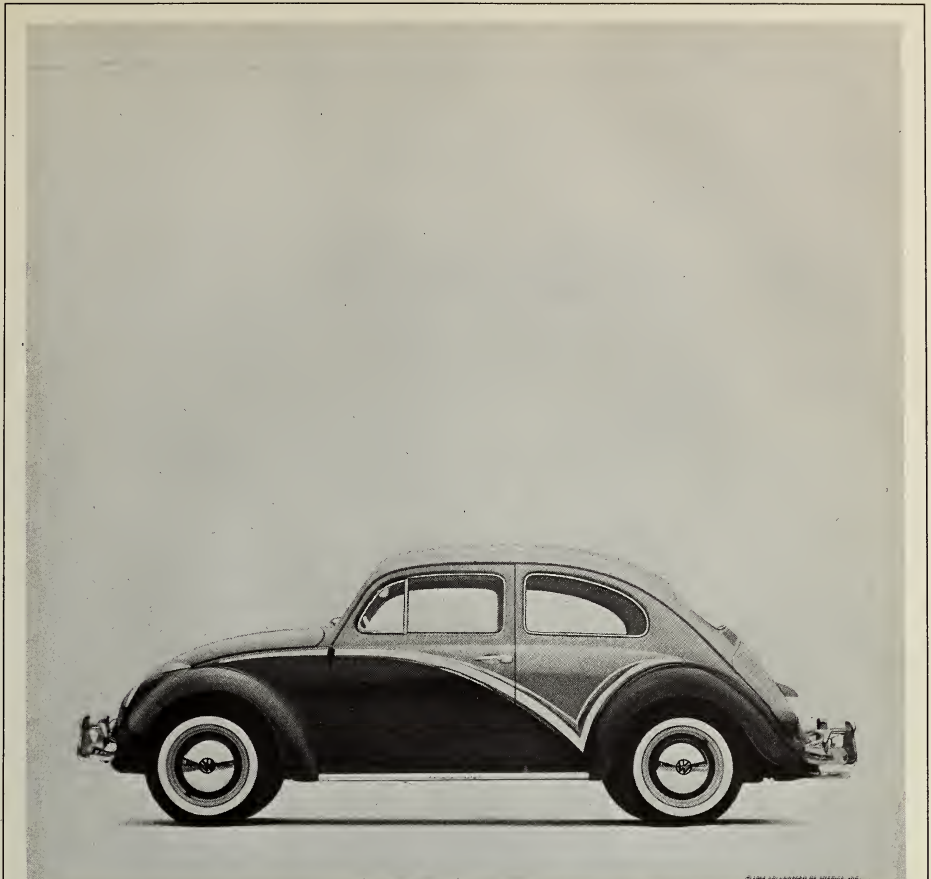
We weren't in any rush to put it on our '62 model; it wasn't quite ready.

And we're not waiting for the '63 VW to come out; it's ready now.

We've made thousands of changes in the past 15 years. But not one has ever made a VW obsolete; only better.

People sometimes ask us why we don't change our car once a year like everybody else.

The answer is simple: once a year isn't always enough.



© 1961 VOLKSWAGEN OF AMERICA, INC.

Never.

We'd no sooner make an over-chromed, two-toned Volkswagen than we'd change the classic beetle shape.

It's not that the chromed version looks so bad; it just doesn't make the car work any better.

That's the rule of thumb we go by: we change the VW only to improve it, not to make last year's model look obsolete.

In 1961, for example, we were able to get more horsepower from our air-cooled engine without making it any bigger or less economical.

(One thing did get bigger this year: the tail lights.)

Everything on the VW happens for a reason; nothing is for show.

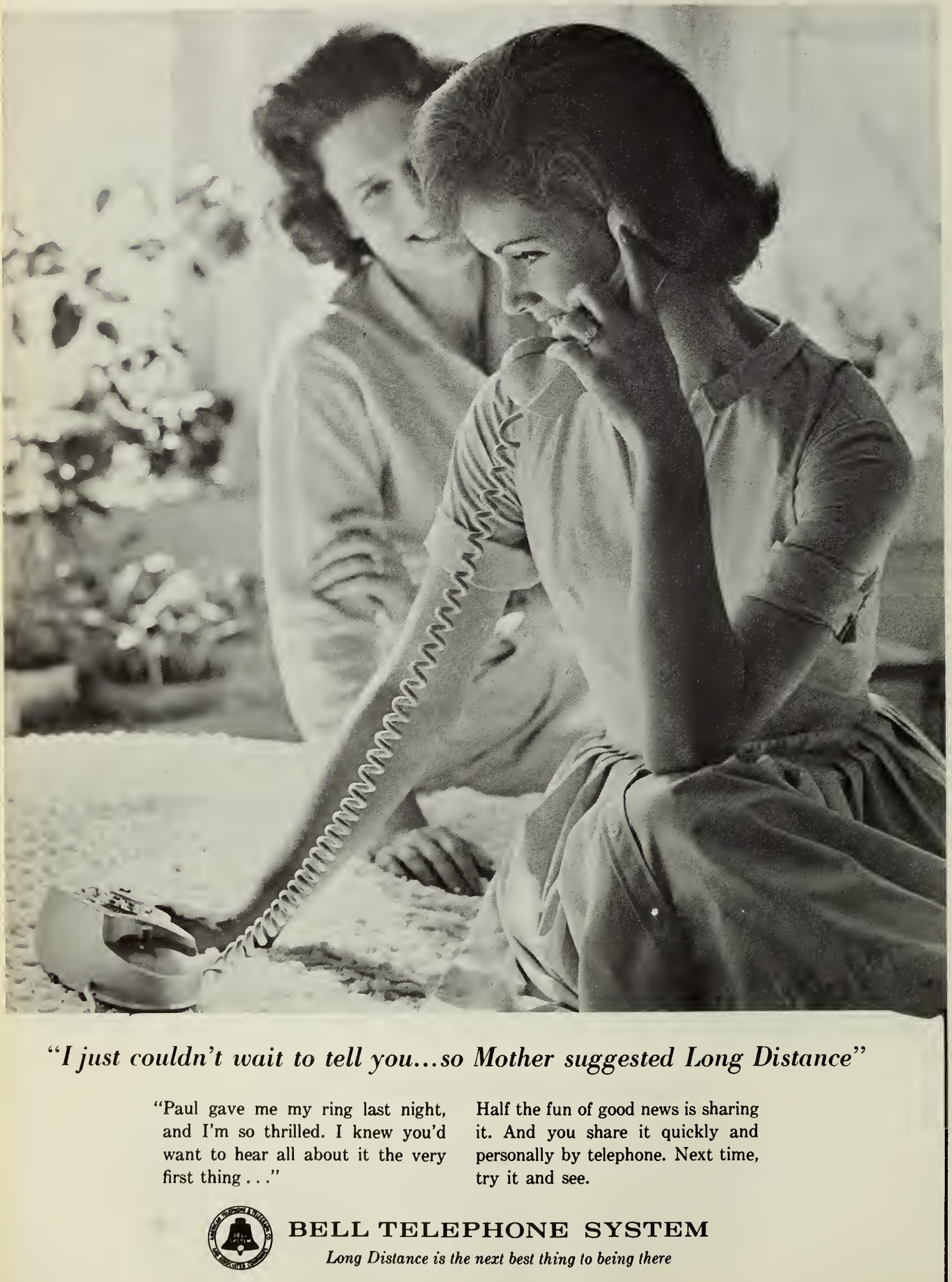
We don't even have a chrome piece that spells out our name.

We do have a little round emblem with our initials on it, though.

After all, we can't let 600,000 Americans go riding around in unidentified cars.

Headline immediately raises query in the reader's mind, "How come?" (Volkswagen of America, Inc.)

Situation strategy. (Bell Telephone System)



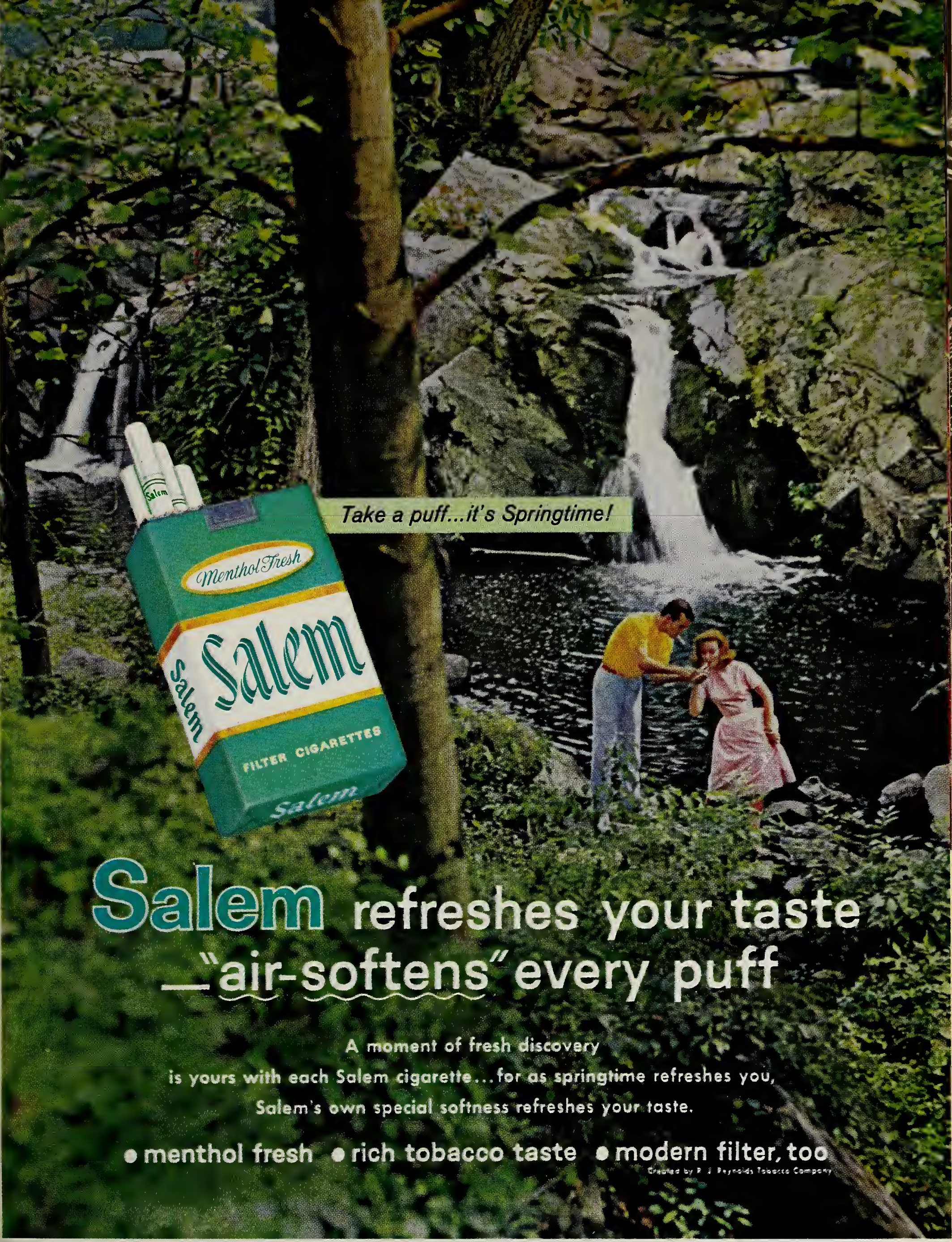
"I just couldn't wait to tell you...so Mother suggested Long Distance"

"Paul gave me my ring last night, and I'm so thrilled. I knew you'd want to hear all about it the very first thing . . ."

Half the fun of good news is sharing it. And you share it quickly and personally by telephone. Next time, try it and see.

BELL TELEPHONE SYSTEM

Long Distance is the next best thing to being there


Menthol Fresh
Salem
Salem
FILTER CIGARETTES
Salem

Take a puff...it's Springtime!

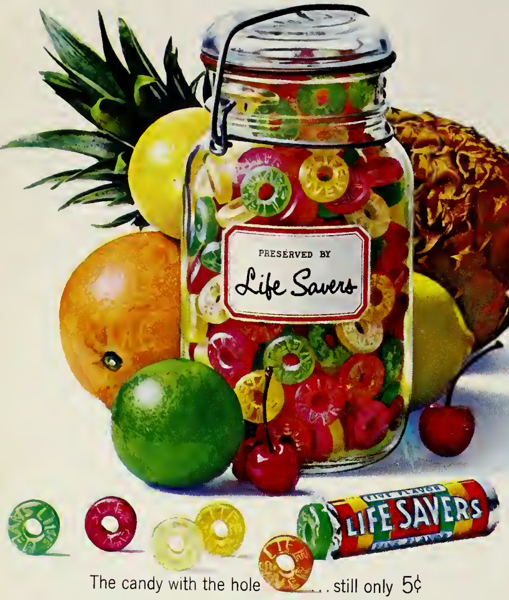
Salem refreshes your taste
—"air-softens" every puff

A moment of fresh discovery
is yours with each Salem cigarette... for as springtime refreshes you,
Salem's own special softness refreshes your taste.

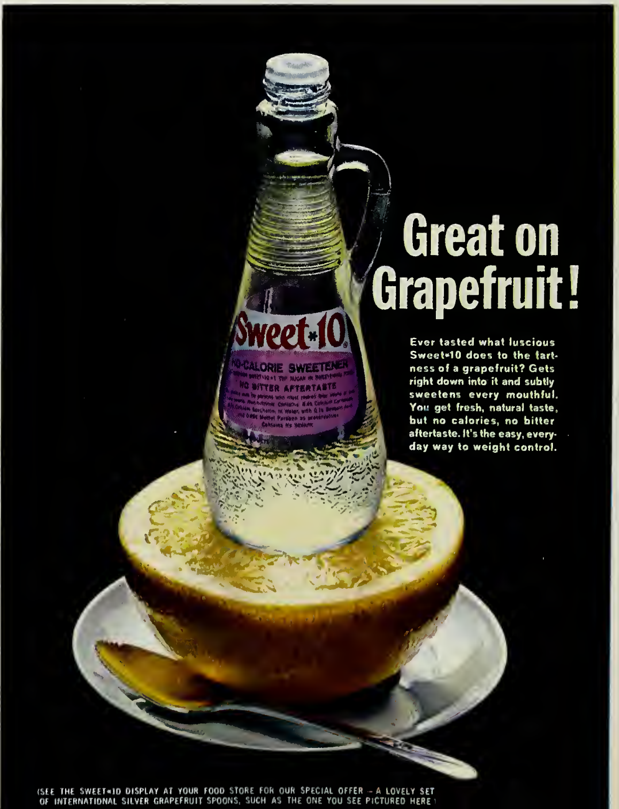
- menthol fresh
- rich tobacco taste
- modern filter, too

Created by R. J. Reynolds Tobacco Company

Natural color of outdoors is used to give sense of coolness and freshness. (R. J. Reynolds Tobacco Company)


PRESERVED BY
Life Savers
LIFE SAVERS
The candy with the hole . . . still only 5¢

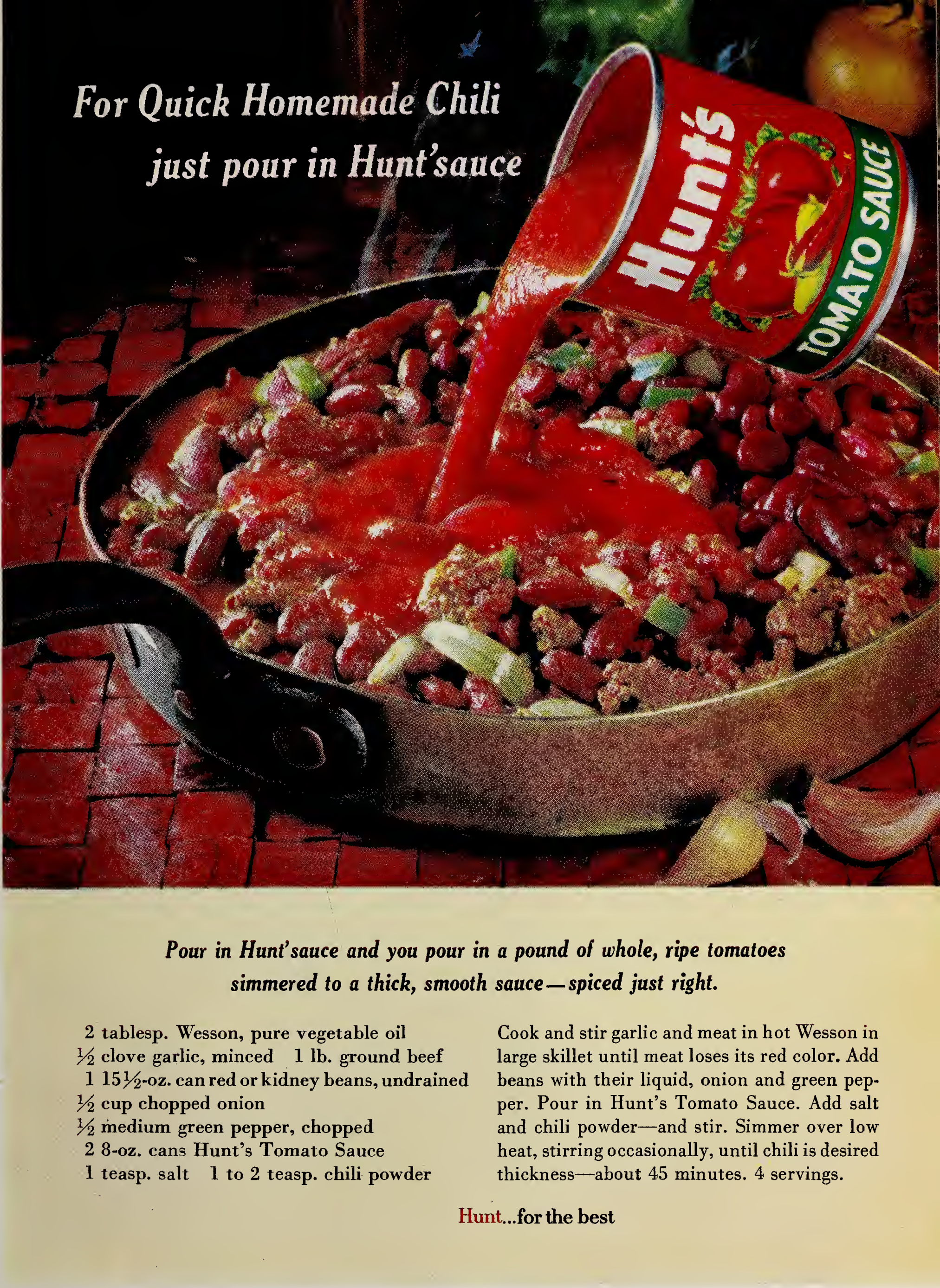
A classic illustration of the use of color combinations to highlight the product. (Beech-Nut Life Savers, Inc., owners of the registered trademark "Life Savers.")


Great on Grapefruit!
Sweet*10
NO-CALORIE SWEETENER
NO BITTER AFTERTASTE

Ever tasted what luscious Sweet*10 does to the tartness of a grapefruit? Gets right down into it and subtly sweetens every mouthful. You get fresh, natural taste, but no calories, no bitter aftertaste. It's the easy, everyday way to weight control.

(SEE THE SWEET*10 DISPLAY AT YOUR FOOD STORE FOR OUR SPECIAL OFFER – A LOVELY SET OF INTERNATIONAL SILVER GRAPEFRUIT SPOONS, SUCH AS THE ONE YOU SEE PICTURED HERE)

Here the product is highlighted by use of color contrast. (Tidy House Division, The Pillsbury Company)



For Quick Homemade Chili
just pour in Hunt'sauce

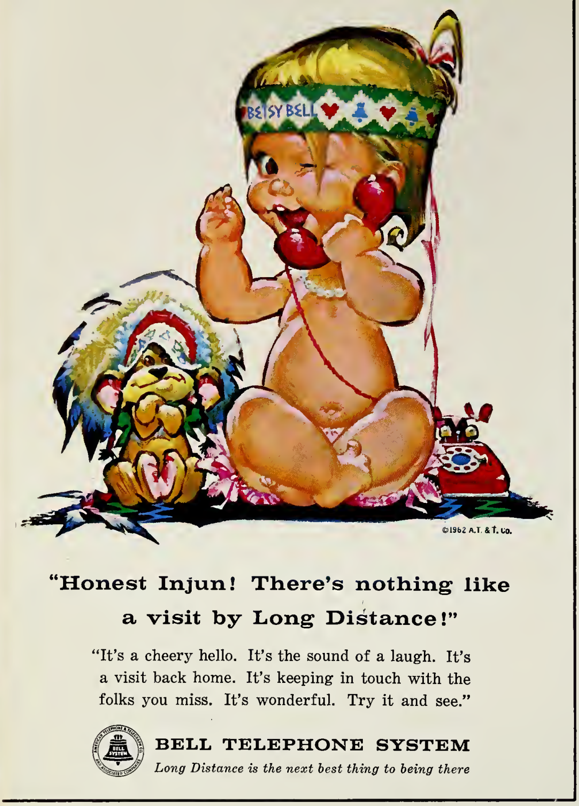
Pour in Hunt'sauce and you pour in a pound of whole, ripe tomatoes simmered to a thick, smooth sauce—spiced just right.

2 tablesp. Wesson, pure vegetable oil
½ clove garlic, minced 1 lb. ground beef
1 15½-oz. can red or kidney beans, undrained
½ cup chopped onion
½ medium green pepper, chopped
2 8-oz. cans Hunt's Tomato Sauce
1 teasp. salt 1 to 2 teasp. chili powder

Cook and stir garlic and meat in hot Wesson in large skillet until meat loses its red color. Add beans with their liquid, onion and green pepper. Pour in Hunt's Tomato Sauce. Add salt and chili powder—and stir. Simmer over low heat, stirring occasionally, until chili is desired thickness—about 45 minutes. 4 servings.

Hunt...for the best

Realistic color suggesting an appeal to the sense of taste and smell. (Hunt-Wesson Sales Company)


BETSY BELL
©1962 A.T. & T. Co.

"Honest Injun! There's nothing like a visit by Long Distance!"

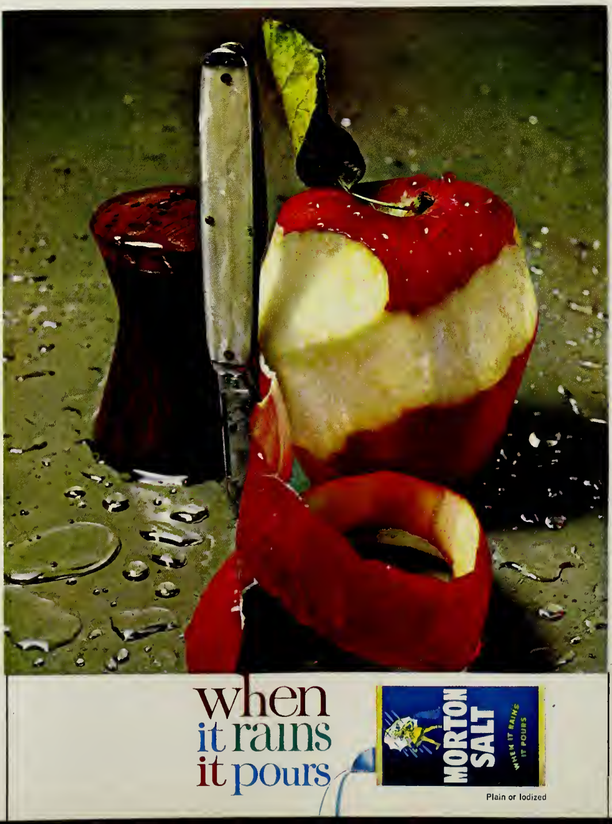
"It's a cheery hello. It's the sound of a laugh. It's a visit back home. It's keeping in touch with the folks you miss. It's wonderful. Try it and see."

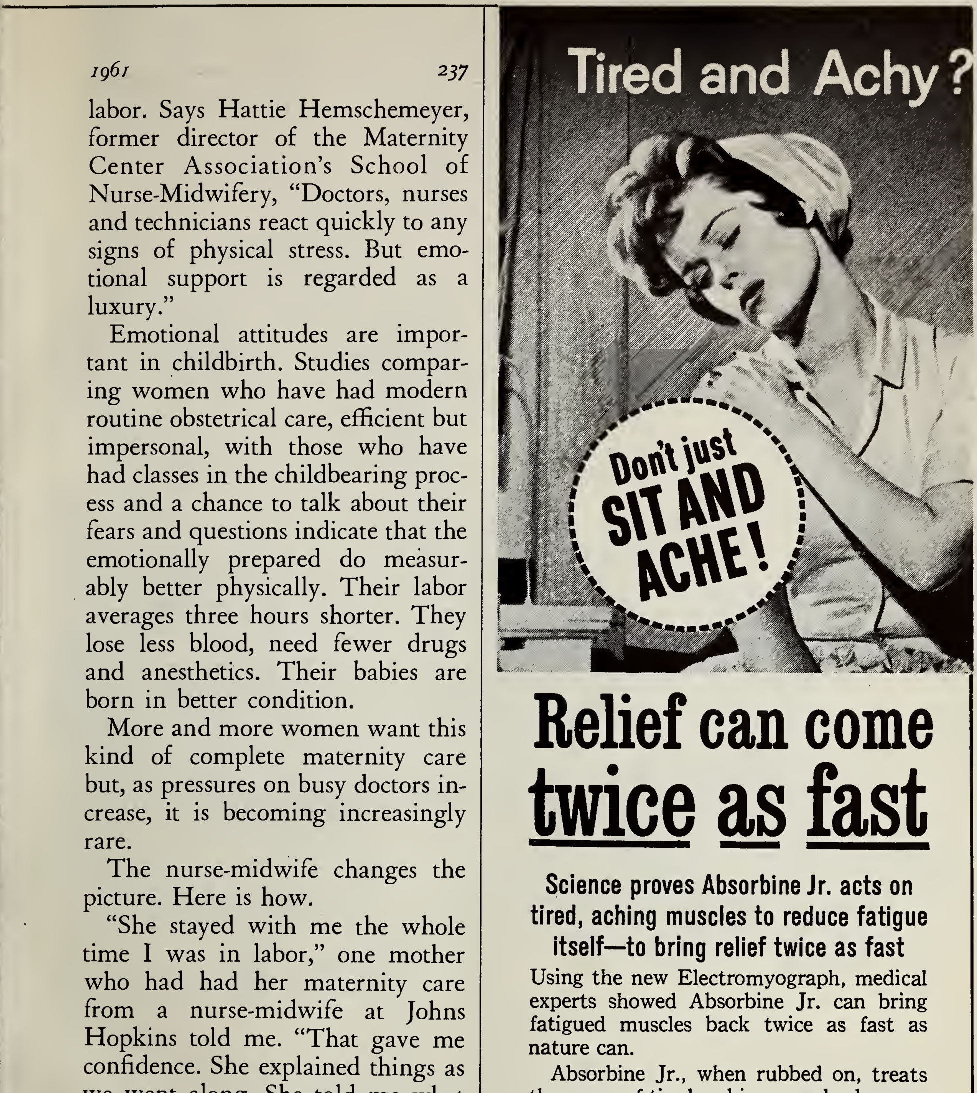
BELL TELEPHONE SYSTEM

Long Distance is the next best thing to being there

Combination of color, humor, and human interest. (Bell Telephone System)

A striking example of the effective use of color. (Morton Salt Company)


when
it rains
it pours
MORTON SALT
WHEN IT RAINS IT POURS
Plain or Iodized



1961 *237*

labor. Says Hattie Hemschemeyer, former director of the Maternity Center Association's School of Nurse-Midwifery, "Doctors, nurses and technicians react quickly to any signs of physical stress. But emotional support is regarded as a luxury."

Emotional attitudes are important in childbirth. Studies comparing women who have had modern routine obstetrical care, efficient but impersonal, with those who have had classes in the childbearing process and a chance to talk about their fears and questions indicate that the emotionally prepared do measurably better physically. Their labor averages three hours shorter. They lose less blood, need fewer drugs and anesthetics. Their babies are born in better condition.

More and more women want this kind of complete maternity care but, as pressures on busy doctors increase, it is becoming increasingly rare.

The nurse-midwife changes the picture. Here is how.

"She stayed with me the whole time I was in labor," one mother who had had her maternity care from a nurse-midwife at Johns Hopkins told me. "That gave me confidence. She explained things as we went along. She told me what they were doing to me. And I'd already seen the pictures that showed the position of the baby and how it moves.

"I'm a nervous type," she added. "But I was never so calm in my

Relief can come
twice as fast

Science proves Absorbine Jr. acts on tired, aching muscles to reduce fatigue itself—to bring relief twice as fast

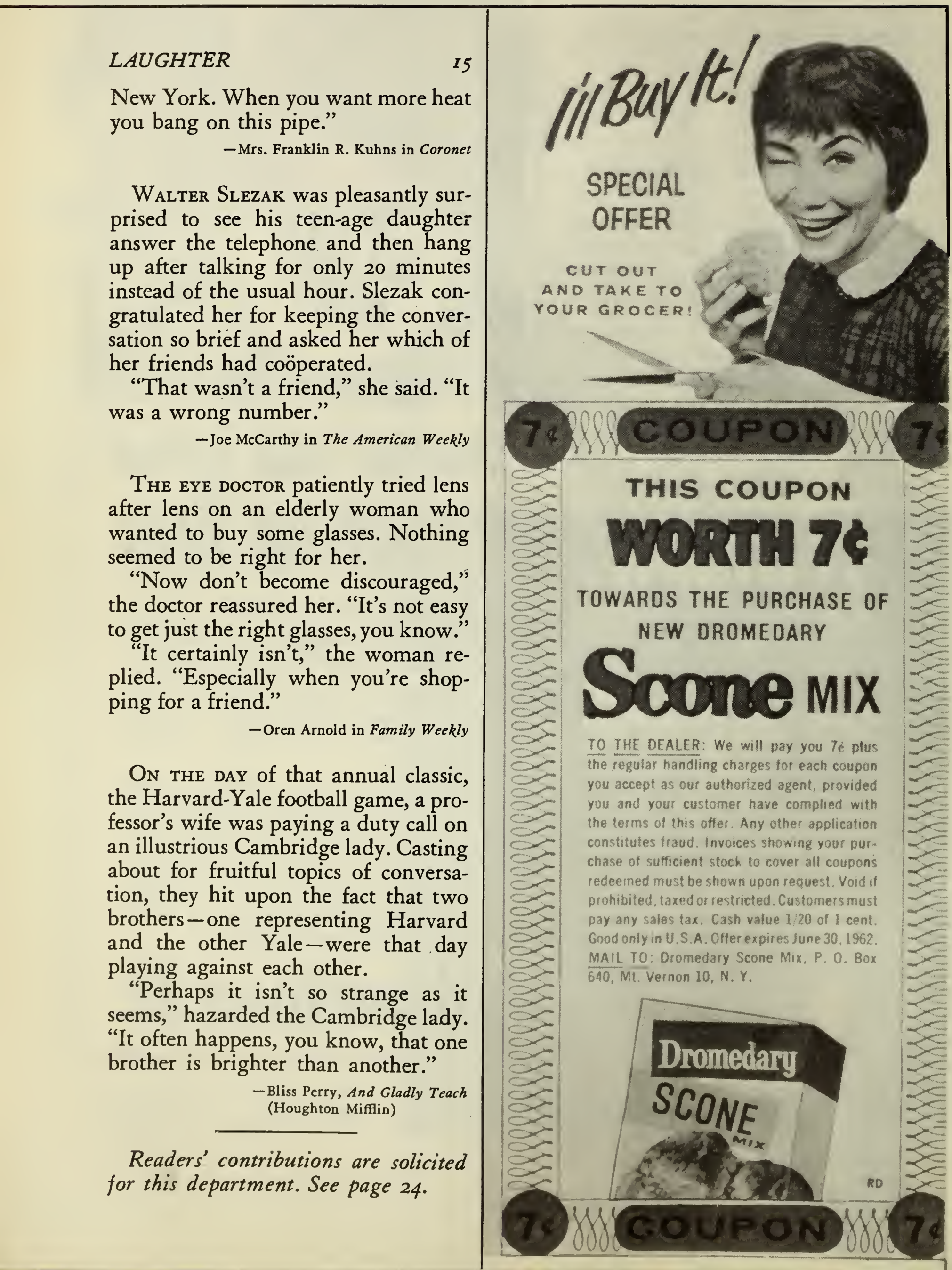
Using the new Electromyograph, medical experts showed Absorbine Jr. can bring fatigued muscles back twice as fast as nature can.

Absorbine Jr., when rubbed on, treats the cause of tired, aching muscles because it dilates peripheral blood vessel walls. It speeds blood flow at the point of pain, helps muscles get back to normal faster.

Whenever muscles ache from overexertion, rub on refreshing Absorbine Jr. *See* how much faster you feel better.

Absorbine Jr.

Placing of an advertisement near pertinent editorial matter. (W. F. Young, Inc.; *Reader's Digest*)



Anecdotes on pages carrying ads with an informal and perhaps humorous approach. (National Biscuit Company; *Reader's Digest*)

LAUGHTER *15*

New York. When you want more heat you bang on this pipe."

—Mrs. Franklin R. Kuhns in *Coronet*

Walter Slezak was pleasantly surprised to see his teen-age daughter answer the telephone and then hang up after talking for only 20 minutes instead of the usual hour. Slezak congratulated her for keeping the conversation so brief and asked her which of her friends had coöperated.

"That wasn't a friend," she said. "It was a wrong number."

—Joe McCarthy in *The American Weekly*

The eye doctor patiently tried lens after lens on an elderly woman who wanted to buy some glasses. Nothing seemed to be right for her.

"Now don't become discouraged," the doctor reassured her. "It's not easy to get just the right glasses, you know."

"It certainly isn't," the woman replied. "Especially when you're shopping for a friend."

—Oren Arnold in *Family Weekly*

On the day of that annual classic, the Harvard-Yale football game, a professor's wife was paying a duty call on an illustrious Cambridge lady. Casting about for fruitful topics of conversation, they hit upon the fact that two brothers—one representing Harvard and the other Yale—were that day playing against each other.

"Perhaps it isn't so strange as it seems," hazarded the Cambridge lady. "It often happens, you know, that one brother is brighter than another."

—Bliss Perry, *And Gladly Teach* (Houghton Mifflin)

Readers' contributions are solicited for this department. See page 24.

SPECIAL OFFER

CUT OUT AND TAKE TO YOUR GROCER!

7¢ COUPON 7¢

THIS COUPON

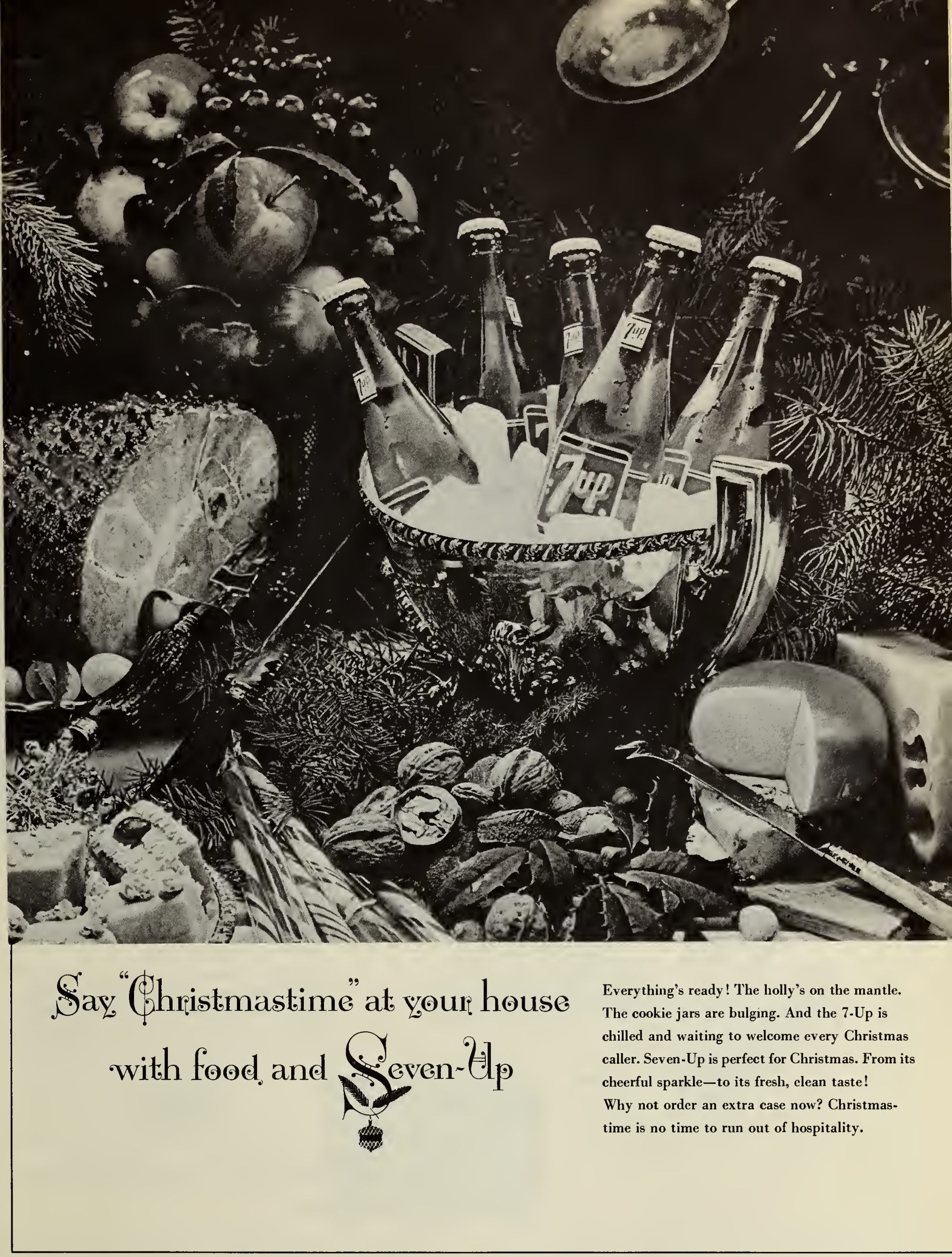
WORTH 7¢

TOWARDS THE PURCHASE OF NEW DROMEDARY

Scone MIX

TO THE DEALER: We will pay you 7¢ plus the regular handling charges for each coupon you accept as our authorized agent, provided you and your customer have complied with the terms of this offer. Any other application constitutes fraud. Invoices showing your purchase of sufficient stock to cover all coupons redeemed must be shown upon request. Void if prohibited, taxed or restricted. Customers must pay any sales tax. Cash value 1/20 of 1 cent. Good only in U.S.A. Offer expires June 30, 1962. MAIL TO: Dromedary Scone Mix, P. O. Box 640, Mt. Vernon 10, N. Y.

7¢ COUPON 7¢

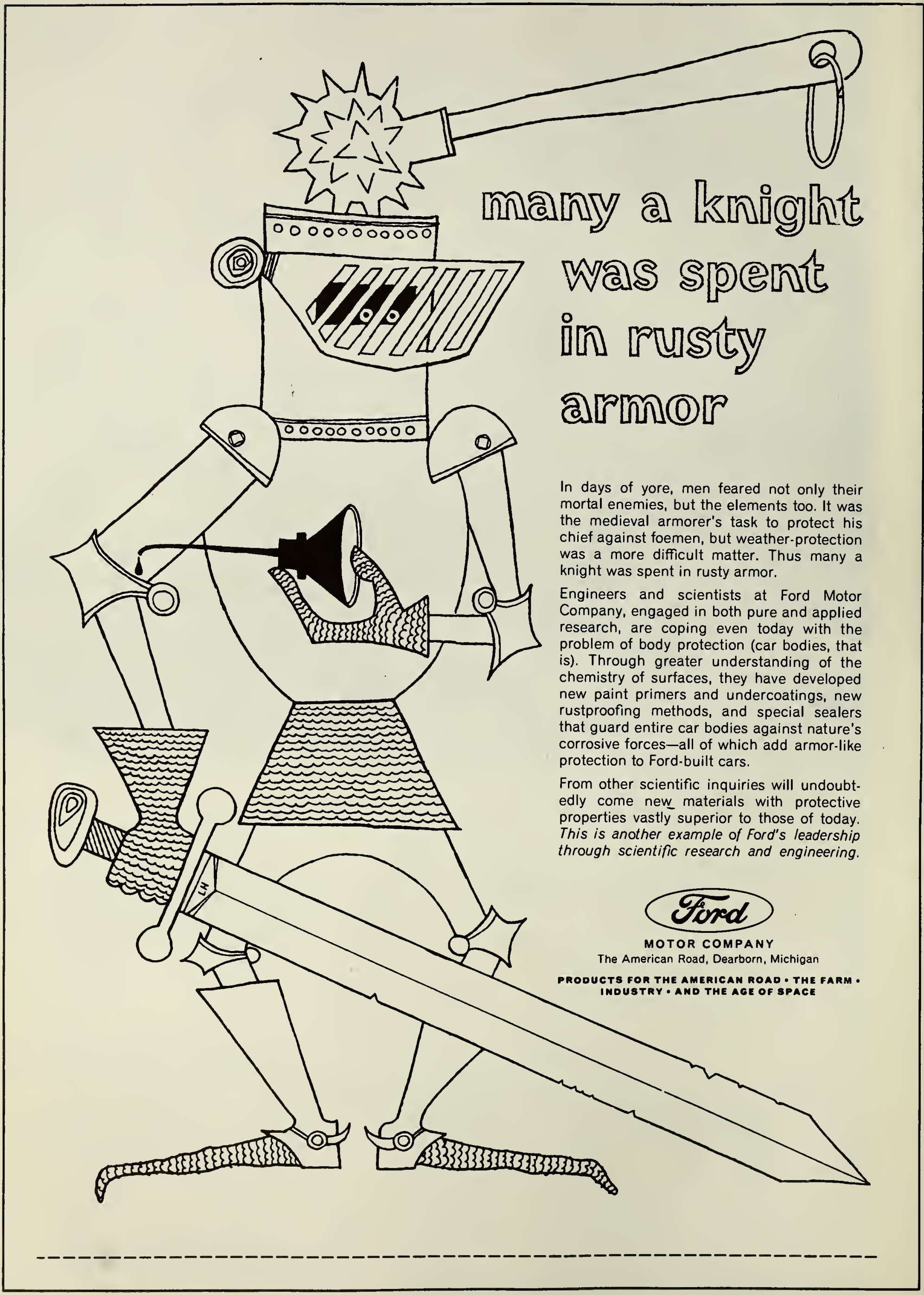


Say "Christmastime" at your house with food and Seven-Up

Everything's ready! The holly's on the mantle. The cookie jars are bulging. And the 7-Up is chilled and waiting to welcome every Christmas caller. Seven-Up is perfect for Christmas. From its cheerful sparkle—to its fresh, clean taste! Why not order an extra case now? Christmastime is no time to run out of hospitality.

Accessories help the reader visualize the product in use.
(The Seven-Up Company, St. Louis, Missouri)

Humor in simple illustration. (Courtesy Corporate Advertising, Ford Motor Company)



many a knight was spent in rusty armor

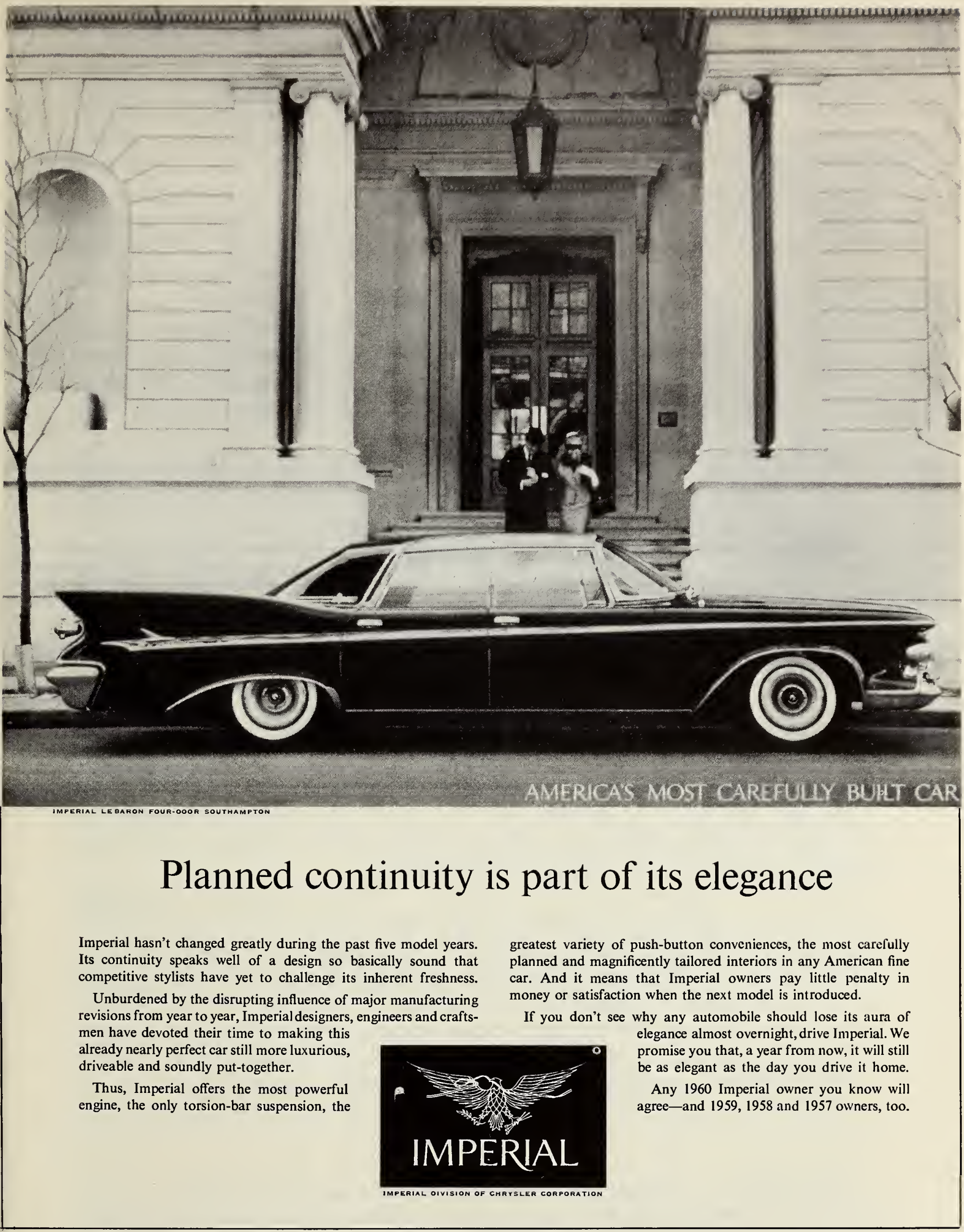
In days of yore, men feared not only their mortal enemies, but the elements too. It was the medieval armorer's task to protect his chief against foemen, but weather-protection was a more difficult matter. Thus many a knight was spent in rusty armor.

Engineers and scientists at Ford Motor Company, engaged in both pure and applied research, are coping even today with the problem of body protection (car bodies, that is). Through greater understanding of the chemistry of surfaces, they have developed new paint primers and undercoatings, new rustproofing methods, and special sealers that guard entire car bodies against nature's corrosive forces—all of which add armor-like protection to Ford-built cars.

From other scientific inquiries will undoubtedly come new materials with protective properties vastly superior to those of today. *This is another example of Ford's leadership through scientific research and engineering.*

Ford
MOTOR COMPANY
The American Road, Dearborn, Michigan

PRODUCTS FOR THE AMERICAN ROAD • THE FARM • INDUSTRY • AND THE AGE OF SPACE



AMERICA'S MOST CAREFULLY BUILT CAR

IMPERIAL LE BARON FOUR-DOOR SOUTHAMPTON

Planned continuity is part of its elegance

Imperial hasn't changed greatly during the past five model years. Its continuity speaks well of a design so basically sound that competitive stylists have yet to challenge its inherent freshness.

Unburdened by the disrupting influence of major manufacturing revisions from year to year, Imperial designers, engineers and craftsmen have devoted their time to making this already nearly perfect car still more luxurious, driveable and soundly put-together.

Thus, Imperial offers the most powerful engine, the only torsion-bar suspension, the greatest variety of push-button conveniences, the most carefully planned and magnificently tailored interiors in any American fine car. And it means that Imperial owners pay little penalty in money or satisfaction when the next model is introduced.

If you don't see why any automobile should lose its aura of elegance almost overnight, drive Imperial. We promise you that, a year from now, it will still be as elegant as the day you drive it home.

Any 1960 Imperial owner you know will agree—and 1959, 1958 and 1957 owners, too.

IMPERIAL

IMPERIAL DIVISION OF CHRYSLER CORPORATION

Product display in the best manner possible. (Imperial Division of Chrysler Corporation)

If motion can be introduced directly into selling and advertising, attention is heightened. The salesman in motion, demonstrating his vacuum cleaner, will draw a crowd in a store. By showing a prospect the product's points and letting her handle the machine, he is gratifying her kinesthetic sense. Another advantage explains the efficiency of demonstrating the product in selling. By handling a product (driving a car), the prospect develops an empathy toward the item—he identifies with it. This ego identification and gratification of the kinesthetic sense provide strong selling aids.[15]

In advertising, motion can be introduced in such forms as a man on an outdoor poster blowing out smoke rings, an eagle flapping his neon tube wings, and a giraffe's head mounted on a spring on a car card. Television commercials have the great advantage over other media of being able to show the product in action.

We can suggest action in static space advertising by having something happening in the picture—somebody *doing* something. Thus, the advertisement in Figure 6.3 has a family scene of active people. Everybody is in motion. They capture the eye and arouse curiosity. One stops to read the copy to find out what they are doing and why. Since the advertiser has worked the product story into the action, a selling impression has been created. Readership reports reveal much better noting for action-filled ads than for static ads.[16]

Isolation

A ten-carat diamond set in a solitaire ring will get more attention than one set in a bracelet with a score of other diamonds. Likewise, an advertisement which has plenty of white space will attract more attention than one that is crowded and cluttered.

In the old days an advertiser reasoned: "This full page in the magazine cost me plenty—we must use up every square inch of it." Today, however, advertising artists know the advantage of "showcasing" the embodiment of the basic appeal, of isolating the advertisement itself. This is especially important in newspaper advertising, since one's advertisement may be competing for the reader's attention with a number of others on the same page. If the ad is set off from the rest by white space, it will appear to be easy to read; the eye will be attracted by its openness. Full position on the newspaper page with no other adjacent ad-

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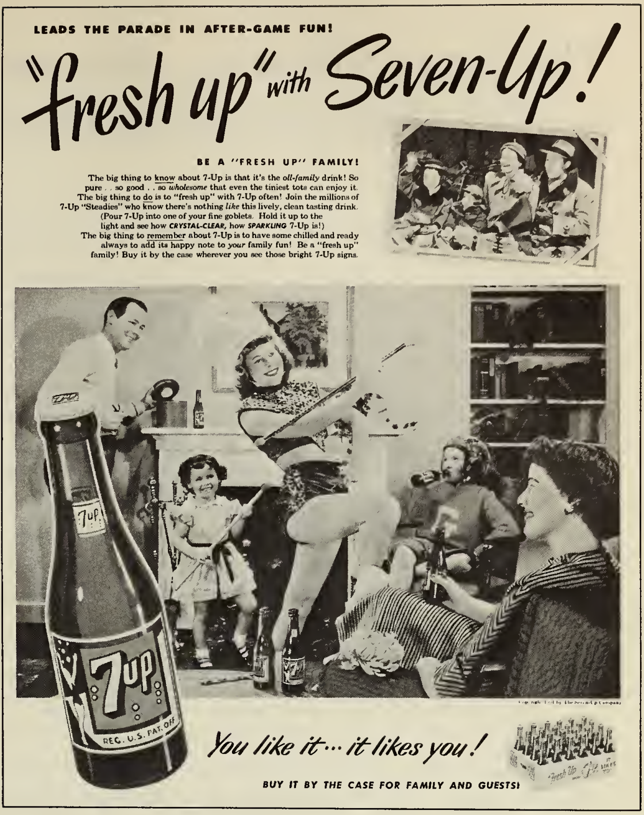
[15] A marketer of television sets found that it was a mistake to send two men out for home demonstrations. The single salesman would drive up to the prospect's home with the set in the back of the car. He would solicit the aid of the man of the house in moving the set and hooking it up. This opportunity to lift the set and to aid in getting it to work seemed to create a possessive feeling in the prospect. The company's rate of sales was appreciably higher when one man rather than two went out on a home demonstration.

[16] Harry W. Hepner, *Effective Advertising,* 2nd ed. (New York: McGraw-Hill Book Co., Inc., 1949), p. 652.



LEADS THE PARADE IN AFTER-GAME FUN!

"fresh up" with Seven-Up!

BE A "FRESH UP" FAMILY!

The big thing to know about 7-Up is that it's the *all-family* drink! So pure . . so good . . so *wholesome* that even the tiniest tots can enjoy it. The big thing to do is to "fresh up" with 7-Up often! Join the millions of 7-Up "Steadies" who know there's nothing *like* this lively, clean tasting drink. (Pour 7-Up into one of your fine goblets. Hold it up to the light and see how CRYSTAL-CLEAR, how SPARKLING 7-Up is!) The big thing to remember about 7-Up is to have some chilled and ready always to add its happy note to *your* family fun! Be a "fresh up" family! Buy it by the case wherever you see those bright 7-Up signs.

You like it ... it likes you!

BUY IT BY THE CASE FOR FAMILY AND GUESTS!

Figure 6.3. *An appeal to the kinesthetic sense.* (The Seven-Up Company, St. Louis, Missouri)

vertisement is another kind of isolation. A full-page magazine advertisement with nothing but editorial matter facing it also enjoys a type of isolation, since it can dominate the reader's attention with no distracting influences.

Some advertisements are too isolated. All should not be sacrificed to boost attention. There should be a dominating idea in the advertisement, although some selling might be done by the surplus of white space.

5. *Contrast, Novelty, and Distinctiveness*

Contrast is a good means of getting attention. A midget and a giant walking down the street will attract another passer-by. An advertisement that is unusual and different may arouse attention just because of its uniqueness. For example, people are accustomed to seeing black type on white paper. Reverse this (white typography on black background) and you have contrast and novelty, as long as it is not done too often. Creatively, a "reverse English" advertisement that differs from a prevailing trend will stand out from the others.[17] A daring departure

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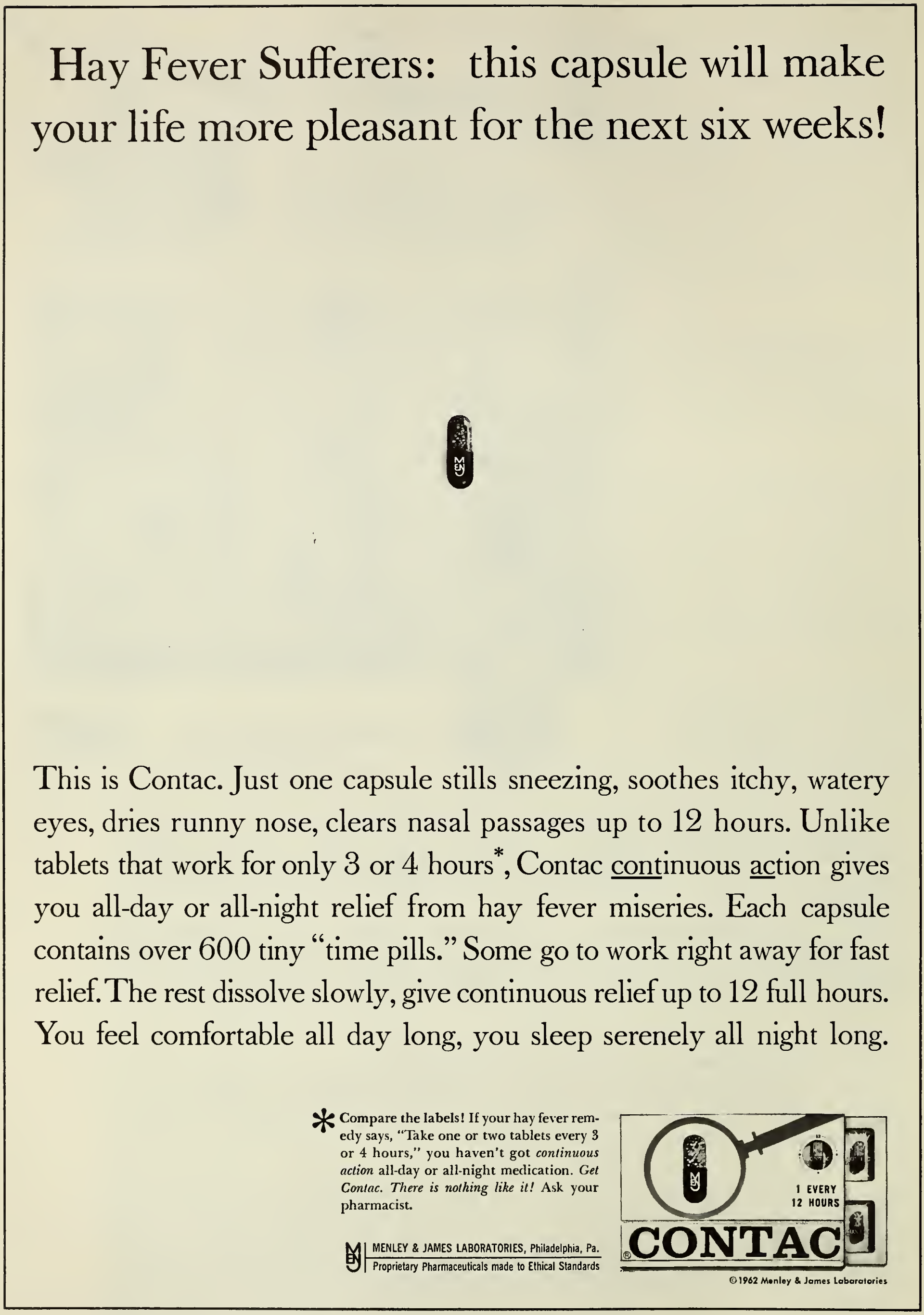
[17] A few years ago, when competitors were making medical claims for their cigarettes, Old Gold had a series of ads embodying the slogan: "We're tobacco men, not medicine men." This creative campaign lifted the brand out of the commonplace.



Hay Fever Sufferers: this capsule will make your life more pleasant for the next six weeks!

This is Contac. Just one capsule stills sneezing, soothes itchy, watery eyes, dries runny nose, clears nasal passages up to 12 hours. Unlike tablets that work for only 3 or 4 hours*, Contac continuous action gives you all-day or all-night relief from hay fever miseries. Each capsule contains over 600 tiny "time pills." Some go to work right away for fast relief. The rest dissolve slowly, give continuous relief up to 12 full hours. You feel comfortable all day long, you sleep serenely all night long.

* Compare the labels! If your hay fever remedy says, "Take one or two tablets every 3 or 4 hours," you haven't got *continuous action* all-day or all-night medication. *Get Contac. There is nothing like it!* Ask your pharmacist.

MENLEY & JAMES LABORATORIES, Philadelphia, Pa.
Proprietary Pharmaceuticals made to Ethical Standards

©1962 Menley & James Laboratories

Figure 6.4. *Effective use of white space.* (Courtesy Menley & James Laboratories)

from the humdrum, an occasional "gimmick," may provide a refreshing change and get attention. However, great care must be taken to avoid the eccentric and bizarre. There should be a sensible connection with the product. As Hotchkiss put it:

> The passion for distinctiveness and novelty has led to some foolish eccentricities in advertising. Advertisements have been set upside down; they have been set in slanting, curved or vertical lines of type; they have been arranged in circles, pyramids, stars and other odd shapes. These freak stunts undoubtedly attract attention but most advertisers now avoid them because they sacrifice other functions of advertising that are quite important as attention. . . . The chief difficulty with stunt methods that have no other merit is that their one value—distinctiveness—soon disappears. Not only do they invite imitation, but even when used exclusively by a single advertiser, their novelty soon wears off. An individual advertisement may be repeated several times before it ceases to attract, but the more novel and sensational it is, the quicker it loses its pulling power.[18]

A related principle is that standard "eye-stoppers" are often overestimated. A creative person on an account may say: "Ah, readership studies prove that women will always look at a baby. Ergo, the picture of a cute baby in the ad will ensure attention from housewives." It is true that women will look at the baby, but unless there is a logical, sensible connection between the "eye-stopper" and the product, no one will read the message and there will be no sponsor identification. The advertiser may spend a great deal of money to entertain the women readers by showing that baby, but he will do nothing for his company or his brand. The same principle holds for television advertisers who fail to register their brand or a selling point about their product; they are merely giving free entertainment to the public.

6- *Position*

Favorable position in a magazine, newspaper, or other medium is an important attention factor. If an advertisement is buried on the newspaper page, surrounded by other advertisements clamoring for attention, it will not be well noted even though it may be interesting. A 24-sheet poster in busy Times Square, New York, is bound to get more attention than the very same poster on a remote country road. Advertisements placed in the beginning section or on the covers of a magazine will do well simply because of the heavier reader traffic of those pages.

CONCLUSIONS

Although attention is important, total balance should not be sacrificed for it. Blind appeals, having no sensible, relevant connection with the product being sold, are very poor, since the impression value of the communication is low. The advertisement may be remembered for its gimmick—that the man on the poster winked his eye or the girl in the bathing suit had astonishing dimensions—and completely fail to convey the name of the sponsor or the merits of his product.

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[18] Hotchkiss, *An Outline of Advertising,* pp. 178-80.

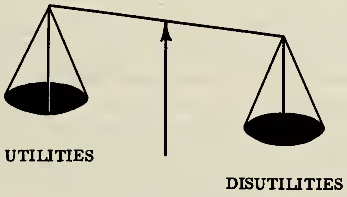
In some selling situations a selective appeal is better focused and heavier in penetration value than a general appeal. For example, there is no use in tricking everybody into reading an advertisement about a hearing aid; the points made in the ad would have to be weakened to be of interest to everybody. A selective appeal, tailor-made for people with defective hearing, would be much better. A drop-forge press is better sold by making a sales point unique to the particular brand than by showing a picture of a skimpily clad female model. Cost-minded purchasing agents are not reading their industrial papers to be entertained. Similarly, the man who is considering the purchase of a new car is interested in specific differentiations rather than glittering generalizations. Too much money is being wasted because advertisers feel they have to attract huge audiences and entertain them; somehow, the product gets lost in the shuffle.

Chapter 7

Desire, Association, Learning, and Memory

Getting the prospect's attention and keeping it during the sales story by stimulating interest are not all that is involved in selling and advertising. The prospect must desire or want the proposition and, in some cases, be made to buy.

The analogy of a balance may be used to explain the process of decision-making, as illustrated below:



In one pan are all the reasons why the prospect should *not* buy the product or service offered. Examples of negative factors are: lack of means; attractive alternatives on which to spend the money; optimistic or pessimistic feelings about future prospects, such as family income and the business cycle; fear of bad judgment or even doubt in ability to make a wise decision; possession of the product in question; and availability of close substitutes. The other pan contains the positive factors—evaluation of the want-satisfying characteristics of the good in question; strength of primary and secondary appeals made in connection with the sale; cumulative picture of the value of the good built up over time; acceptance or rejection of the good by group leaders and other members of the reference group; ego satisfaction; and others.

When the utilities outweigh the disutilities, the proper moment has arrived to secure buying action. In personal selling the skilled salesman learns to sense when this critical moment of conviction has arrived. The sign may be the tenor of the prospect's questions, a changed facial expression registering interest or covetousness, or the prospect's handling of the product. This is the time to move in and ask for the order.

The most frequent error in personal selling is inability to sense when to close the sale. If the critical moment goes by, often the utilities so carefully built up by the salesman begin to evaporate; disutilities reappear, and the prospect re-establishes objections in his mind. The job of building conviction must be repeated but not from so low a level, for some of the utilities will remain from the former episode.

Advertising of a direct-action nature, which pulls for an order, has an inherent disadvantage; the writer cannot sense when the balance has been tipped. The copywriter must depend on the law of averages. He must think, "What will the objectives of the typical prospect be? How strong are his objections likely to be? What appeals will be the strongest on the average? I must answer the objections and build up a picture of value for the average person, but I cannot tailor-make my appeals to take care of special cases." Thus, his ability to close sales and get action is more limited than in personal selling, since, in the latter, each presentation is, in a sense, tailor-made to fit observed peculiarities of the prospect. Direct-action advertising must contain strong action-impellers (hurry, hurry, supplies are limited; send no money, we will bill you; fill in the handy coupon) to get sufficient response from the readers to recover promotional costs. Such selling would be highly uneconomic if mass media were not able to reach prospects at a very low cost per reader; by activating only a small proportion, the advertiser can make a profit.

Indirect-action advertising, by its very nature, is not intended to secure conviction and action. It is supposed to be cumulative in its effect, to gradually build up a desire for the product and reduce roadblocks or disutilities. Other factors in the promotional mix must trigger action and close the sale. These may be: (1) exposure in the store to a point-of-sale display or to the colorful label of the product itself; (2) presentation of further product benefits by a salesperson; (3) incentive of a deal or price reduction; (4) securing a sample of the product to try; (5) word-of-mouth recommendation by a friend or relative; or (6) demonstration of the product, including manipulation by the prospect (test-driving a car). Indirect-action advertising, which is the kind normally sponsored by our great national advertisers, is seldom sufficient by itself to secure buying action. Other elements of the mix—demonstration, display, price offer, premium, personal selling, and the like—must be used to get dollars in the cash register. Indirect-action advertisements heighten desire by adding utilities to one pan and subtracting disutilities from the other, but tipping the balance all the way demands the use of the other means discussed above.

ESTABLISHING ASSOCIATIONS

Associations favorable to a brand must be formulated and impressed on the memory. Every successful advertisement must establish new or reinforce old associations, whether the advertisement be direct-action, good-will, pioneering, competitive, or retentive.

Psychologists say that thinking is essentially a process of association. In learning, ideas are linked together in the mind by various bonds, which are discussed below. From an early age the child is making basic sensory associations. Sunlight and fire are warm; water is wet; mud is gushy; mother is food and safety. As he grows older, the child begins to form abstract ideas and to manipulate symbols, but this stage is based on his early sensory experiences and environmental conditioning. He is aided in forming his associations by family, playmates, teachers, textbooks, communication media, and the like.

From a business point of view, by the time a person reaches maturity, his mind is a veritable storehouse of commodity-brand, need-commodity, and need-brand associations. Coppertone protects him from sunburn; Tums cures his upset stomach; Cheerios satisfy his hunger at breakfast; and after years of parental admonishment and pleading, Ivory soap is used for cleaning himself.

Nearly all pioneering advertising seeks to associate a human need with a new kind of a product that is better designed to satisfy that need. In a sense no advertisement or sales talk has ever *created* a need, for a need originates in biological drives and social conditioning. However, advertising and selling *can* create a want—the latter is engendered by showing how a need may be fulfilled or satisfied better by the product in question. For example, the California Fruit Growers Exchange introduced oranges and lemons to the American public by appeals to health and vitality. Television was pioneered immediately after World War II as a new dimension in entertainment. Air travel was introduced as a way to save time for other useful activities.

Competitive advertising has one of two objectives. Many competitive advertisements attempt to strengthen associations already favorable to the brand in question, to cumulate impressions in order to gradually heighten the desire of those people already using the brand. Often this may be done by suggesting new uses for the product and thereby encouraging more frequent consumption or greater quantity of consumption at one time.

On the other hand most competitive advertising is aggressive in intent. It seeks to combat adverse associations and to replace them with associations favorable to the particular brand. Since consumers tend to set up routine patterns of purchasing behavior, such advertising attempts to break old purchasing habits and replace them with new ones favorable to the sponsor's product.

At the retentive stage, advertising's objective is to retread old associations, to reinforce patterns of purchasing behavior. This is often done by mere repetition of a familiar selling story, slogan, or other memory device. Repetition, up to a certain point, tends to deepen associations already in the mind.

The success of advertising in establishing such associations between a want and a need, a need and a commodity, or a commodity need and a brand varies with different types of products and different individuals. Establishing favorable associations for convenience goods can be very successful, and the greatest advertising expenditures are found in these fields —soaps, cigarettes, groceries, proprietary drugs and sundries, and the like. The need to purchase such goods arises frequently, thus providing the opportunity for reimpression of the message on the customer's mind. Since shopping and specialty goods are less frequently purchased, there is less opportunity to establish associations.

People vary a great deal in impressionability. Professor Dale Houghton of New York University, using his students as subjects, did significant work some years ago on this question. After making up lists of wants or needs related to different categories of goods, he passed out printed forms similar to that shown in Figure 7.1. Then he instructed his subjects to put down the first remedy or product that came to mind after reading the need ("irritation"). It did not matter whether the word was a generic association (headache—aspirin) or a trademark item (headache—Bayer). Houghton, at this stage, was conducting a simple association test similar to many conducted in the psychology laboratories. Then the respondents, after completing the simple association test as fast as they could, were asked to take time to ponder whether they actually did use the item first thought of. If a trademark item, did they actually purchase it for the need or something else? If the latter, the actual use was written in the third column. If a generic term came to mind first, did the respondent actually make sure to buy a specific brand, or did he consider any brand satisfactory? The answer was noted by a certain code in the third column.

The author duplicated Houghton's experiment for proprietary drug items among several hundred undergraduate students, both male and female. One would expect a high degree of brand associations for these highly advertised medicines—aspirin, deodorants, laxatives, lotions, among others—for millions of dollars are spent annually in promoting drug products. There was such an association; a trademarked item was associated with needs in nearly 50 per cent of all cases. The percentage would probably be higher for mature adults, since most students are not faced with such conditions as overweight and sleeplessness.

Differences in individual scores were striking. For the list of needs shown in Figure 7.1, one individual named specific associations for 83.8 per cent of the total; at the other extreme was an unimpressionable man with only 5.5 per cent association. There was a marked variation within these ranges.

A generic term was given 38.6 per cent of the time, probably because there was little experience with certain needs, as noted above. Although a trademark remedy was mentioned in about one-half the cases, the respondents indicated they actually used the associated brand in only 25.7 per cent of the total. In other words, some roadblocks intervened to inhibit carrying out the initially favorable association. In 17.9 per cent of these cases the respondents indicated they had no use for the item first associated; the remainder had had a bad experience with the associated

ADVERTISING

Irritation	Remedy	Actual Use
Headache		
Cough		
Indigestion		
Dandruff		
Head cold		
Sore throat		
Chapped hands		
Chapped lips		
Corns		
Cuts or bruises		
Sleeplessness		
Offensive perspiration		
Dirty teeth		
Underweight		
Constipation		
Sunburn		
Offensive breath		
Overweight		

Figure 7.1.

brand—it had not given good service, had not performed as promised, was more expensive than another brand, and the like. There is a lesson in this: the mere establishment of a favorable need-brand association is not enough; subsequent experience with the brand must be favorable, or the consumer will countermand the initial association. Later conditioning interposes its influence, for the consumer will buy a brand other than that initially associated. Although the old, now inappropriate, association may continue on and constantly be refurbished by continued advertising impressions, in actual choice it will be inhibited and a newer association will be furnished and acted on. Yet, the advertiser whose brand is thought of first when a given need arises is in a strong position, especially in the field of convenience goods, where so much purchasing is on an impulse basis.[1]

Learning is not merely a matter of association. In fact, the process of learning is so complicated that psychologists admit that they do not have a full understanding of its dynamics. Learning theory is the subject of intensive investigation, especially in the field of educational psychology. Answers are gradually being found, but the area is still in the frontier stage. We shall discuss such learning theory as is pertinent to and explanatory of the sales and advertising field.[2]

Psychologists agree that learning is both a psychological and a physical change, which occurs in an individual in response to stimuli, past and present. They disagree as to *how* it occurs. Some feel that a person pieces together the parts to make a whole, just as a bricklayer builds a wall. When he learns, he builds on what is already there, just as a bricklayer adds courses of bricks to change the wall.

Other psychologists in the Gestalt school say that a person perceives in wholes or patterns. When he learns something, he modifies what he has previously learned in its totality rather than merely acquiring new information. A new stimulus which is radically at variance with the old Gestalt may alter the latter completely, just as a tape recorder wipes away what was on the tape while recording over it. In other cases the form of the Gestalt may be changed slightly, but still remain essentially the same as before.

As Combs and Snygg put it:

> When we speak of learning we mean the process by which an individual is able to change his behavior, usually in some more constructive fashion. Such changes are brought about by differentiation within the perceptual field. All learning of whatever variety has as its basic characteristic a progressive differentiation from a more general perceptual field.
>
> . . . Pavlov noted in his famous experiment on the salivation of dogs that his subjects' first responses were highly irregular and vague, but as the experiment continued his dogs responded with ever-increasing regularity and precision as they were increasingly able to differentiate from the general field the most efficient response required. This differential character of learning in conditioning experiments has been illustrated repeatedly with many other animals, including man himself.[3]

Whichever theory is correct (perhaps the true one has not yet been discovered), psychologists have ascertained that we learn by at least three different methods:

(1) *Trial-and-error.* Thousands of experiments on rats and other

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[1] Consistent and heavy advertising in the shape of such favorable associations can succeed. We found among college students that certain advertisers dominated associations in their field. For example, the word "headache" nearly always evoked the response, "Bayer"; indigestion—"Tums"; sore throat—"Sucrets"; corns—"Dr. Scholls."

[2] See Special Report, "Probing Consumers' Minds," *Printers' Ink,* January 29, 1960, pp. 31-33. Most of the following discussion is drawn from this useful report.

[3] Arthur W. Combs and Donald Snygg, *Individual Behavior* (New York: Harper & Row, Publishers, 1959), pp. 190-91.

animals in mazes have proved that learning does take place on a trial-and-error basis. The rats, rewarded by food when they make the proper choices or punished by shocks or absence of food when they take the wrong turns, eventually perfect their abilities to follow a pattern established by their experimentation. That is, they learn the maze. A great deal of trial-and-error learning takes place among humans all their lives, but especially in babyhood when most activity is exploratory.

People explore their environments under the basic drive of desire for play, adventure, and curiosity, and learn by manipulation and experiment. The housewife probably learns a great deal from her brand experiences in this way. If she becomes satisfied with a brand of detergent by actually trying it, she may establish a habit pattern similar to a conditioned reflex—need detergent, buy brand X. She will continue with the same brand until some stimulus from her environment puts her into a new exploratory phase. This stimulus may be perception that the detergent is no longer doing a satisfactory job of washing (self-initiatory), the enthusiastic recommendation of a friend (informal communication) or a salesperson (formal communication), or a strong appeal observed in an advertisement (formal communication). In the new exploratory stage she may try several other brands, or only one—that which occasioned the new exploratory phase. She will settle into a new routine transaction phase until something else comes along to unsettle the equilibrium once more.

(2) *Association of old responses to new stimulus.* People buy new clothes dryers of the same brand as their old automatic washers because they have found the washer to be satisfactory. Good will or institutional advertising may bring about this learning response, but past consumer satisfaction with a product is most likely to evoke it.

(3) *Insight.* People learn by insight when they suddenly perceive relationships without apparent trial or association. Perhaps someone has been thinking about a problem for days without results; then all at once the solution is clear—the answer comes to him "out of the blue." As Combs and Snygg say: "A new principle or relationship is differentiated on an overall, generic level providing a new meaning or relationship between two events not previously observed as related." The French have called it an "aha moment" in which previously differentiated perceptions are suddenly seen with a new meaning.[4]

This insight is probably a trick of the subconscious. The basic associations were there from past experience and merely rearranged into new patterns in the subconscious. Of course people are not aware of this and think they have a unique inspiration. Such insightful processes have probably been responsible for all great inventions in our culture. Edison all at once perceived that a filament in a vacuum capable of conducting an electrical current might glow and produce light. He then experimented to see if it would. Einstein suddenly saw the basic mathematical relationships that structured his theory of relativity. These benefactors of mankind could not have had these insights if Edison had not understood electricity and if Einstein had not studied mathematics.

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[4] *Ibid.*, p. 193.

Advertisers can utilize all three methods of learning. Skillful advertisements can put the customer into a new trial-and-error period by making him or her dissatisfied with the old brand. Good advertising can build up a favorable corporate and house brand image by which one successful item can help create a market for other items in the line. Finally, advertising can suggest ideas that will give the customer a basis on which to exercise insight ("Try bananas or other fruit on Wheaties").

In answer to the questions of what conditions are most conducive to learning, the psychologists once again have formulated several "laws" of learning useful to the sales or advertising man.

(*a*) *Law of Contiguity*

If the buyer is to learn to associate the product with the goal promised, he must receive the reward assured by the sales message as soon after the purchase as possible. Thus, aspirin companies emphasize how fast their preparations go to work to relieve pain for a good reason: the greater the time lapse between promise and reward, the less learning takes place.[5]

(*b*) *Law of Effect*

In stating this principle, Thorndike writes: "Of the responses made to a situation, those which satisfy the organism's needs tend to be retained, while those which fail to satisfy these needs tend to be eliminated."[6]

In other words, to fix an association the goal must lead to a satisfying state of affairs or a reward. It is obvious that a brand of a product that fulfills the sales promises made for it will benefit from the law of effect.

Although we tend to learn and remember better when the results of the course of action are pleasant rather than unpleasant, merely being pleasant is not enough; some need or motive of the consumer must be fulfilled.[7]

(*c*) *The Rate of Learning Varies with the Strength of the Response to the Stimulus*

Learning will take place more quickly and thoroughly if the rewards following the act of learning are more intense. Thus, the better a product satisfies a basic want, the faster the consumer will learn its brand name. If a grade school boy is offered ten cents for learning the Gettysburg Address, he will learn it less quickly and thoroughly than if offered a new bicycle; the sooner and the bigger the reward, the better the learning process will be. Similarly, brand loyalty and acceptance will be established better by that brand of product that offers the most intense rewards and satisfactions and delivers them the most quickly.

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[5] This is why animal trainers immediately reward the animal with food upon the successful completion of a trick. For the same reason, a commission paid to a salesman each month is a better reward than the total of 12 months of commissions paid as a bonus once a year.

[6] E. L. Thorndike, *Animal Intelligence* (New York: The Macmillan Co., 1911), p. 244.

[7] Special Report, p. 32.

(d) The Law of Forward Association

The last law states that the sequence in which ideas are usually and naturally linked is the easiest to associate and to recall later.[8] Nearly everyone can remember the alphabet forward, but it is difficult to repeat it backward. In associating, people tend to go from the general to the specific. In associating a need with a brand, people normally think of the need first, then of a remedy to satisfy the need. Thus "Tums for Indigestion" is less effective than "For indigestion—Tums." Similarly, the ideal arrangement would be Automobile Plymouth, Flour Pillsbury, Shoes by Florsheim, and the like. Some trademarks have utilized the advantages of the law of forward association—Encyclopaedia Britannica, Chocolat Menier, Parfum Balmarin—but these are usually of foreign origin. The English language by convention does not permit this. However, copywriters can employ the law to construct advertising which is easier to associate and recall by talking first of the need and then about the product as a solution to the need. It is always sound to develop any presentation by proceeding from the general to the specific.

Principle of Exercise

The more a certain response to a situation is repeated, the more likely the same response will occur to the same situation later. As Munn says, in order to increase proficiency we must repeatedly respond to the learning situation.[9]

This principle explains why it is relatively easy to establish habitual patterns of purchasing behavior for goods which have low unit value and are purchased frequently (convenience goods). The need for such goods is constantly recurring. Favorable commodity-need-brand associations benefit from frequent exercise and they solidify into habitual patterns readily. Goods which have high unit value and are purchased infrequently (shopping goods) seldom can derive benefit from this important law of exercise.

Some of the greatest advertising expenditures are found in convenience goods fields, for it is highly profitable to upset old habit patterns of purchasing a competitor's brand and substitute a habit in favor of your brand. Subsequent purchases can be maintained simply by having the brand conveniently available. Continued advertising impressions are advisable, as they help to remind the buyer and reinforce the pattern.

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[8] George Burton Hotchkiss, *An Outline of Advertising,* New York: The Macmillan Co., 1933, p. 205.

[9] Norman L. Munn, *Psychology* (London: George G. Harrap & Co., Ltd., 1946), pp. 134-36.

Law of Belonging

Ideas or objects that are naturally related and organized into meaningful relationships can be remembered better than those that have no logical connection. People remember things that are alike or functionally related—Ike and Mike, cup and saucer. They associate things that are dramatically opposite to one another—a giant and a dwarf. This law, sometimes called the law of organization, explains why it is easier to remember a new fact involving a familiar area of knowledge than a fact relating to an unfamiliar area. For example, the author can remember a fact about advertising or marketing with little effort, but he probably would forget a fact about atomic physics at once. In the latter case, the fact does not belong or relate. People apparently remember by relating or hooking a new perception on to an old one.

Law of Intensity

Sometimes known as the law of vividness, this principle states that the intensity of motivational conditions associated with learning has an important influence on the rate of learning. People tend to learn more quickly and to remember material better under conditions of emotional arousal. Likewise, if the rewards are more intense or satisfying, the stimulus-response will be better fixated.

In advertising or selling, an appeal to the strong, primitive emotions, such as love of offspring, sex, and the like, will enhance the rate of learning and memorability of material. A happy, confident, and exciting feeling tone in the advertisement will do the same. Believable promises of wonderful benefits to be attained if the product or service is used will be similarly effective. On the other hand, abstract appeals and those concerning secondary wants will have less intensity. This is also true of associations acquired when we are depressed or relaxed.

Law of Facilitation and Interference

This law states that one act of learning will assist another act if a stimulus reappears in both acts and results in the same response both times.[10] If the stimulus requires a different response, the learning will be interfered with. For example, the same corporate name may be used as a common stimulus in upgrading a consumer from a cheaper to a more expensive model of a product. Suppose, however, that the manufacturer decides to downgrade his product. Previously, he had been talking quality and exclusiveness (snob appeal); now he trys to tap the mass market by talking economy and price. The same stimulus (his trademark) now calls for a radically different response. In this situation manufacturers will have a difficult time selling the new product. Such was the case with the Packard manufacturers. The latter produced a car in the 1930's for the middle-price market. This impaired normal associations of status, quality, and exclusiveness among the wealthy, and they shifted to other makes. At the same time the middle-class market still thought Packard represented a brand far too expensive for their means.

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[10] Special Report, p. 33.

Law of Repetition

Mere repetition of a stimulus will not by itself fixate an association. For example, students of psychology have found that people will not learn a dull poem, no matter how many times they repeat it mechanically, if there is no incentive or interest in learning it. Whitehead and others have shown that little learning takes place if it is incidental or unmotivated. Therefore, mere repetition of a dull, uninteresting advertisement will not enhance the learning or memory of it. However, repetition will enhance learning and memory if the other favorable conditions—contiguity, effect, exercise, organization, and intensity—are present.

MEMORY

Merely learning the sales or advertising message is not sufficient; the memory also must be impressed. Some people argue that any sales impression is useful. Even though it may be too weak for conscious recall, it is stili in the subconscious, subtly influencing behavior in favor of the product or brand. This involves a philosophical question, for no one can prove the presence or absence of such subconscious motivation. However, a sales impression is useful if, when the need for a product arises, the proper association is made and the brand name comes to mind. Unless countermanded by more recent conditioning, it motivates action. Hence, all communicators must have a good working knowledge of how the memory works, as well as how to induce learning.

There is little basic difference between learning and memory. When people learn something, psychologists say that a physio-chemical change takes place in their brains. New neural connections or patterns are established in their association areas when they receive a meaningful stimulus over one or more of their sensory receptors—eye, ear, taste, smell, or kinesthetic senses. They receive the stimulus, connect it up with past sensory or symbolic experience (make sense of it), and, if it seems important, store it away in their "memory bank." This connecting up or relating to past experience is called perceiving. People perceive something when it makes sense and is of interest to them. They remember it if the impression made was intense and vivid enough to be recalled later, either on cue from the environment (aided recall) or through self-motivated mental activity (unaided recall). There can be no memory without a preceding act of learning, but there can be learning without memory over time. People can quickly forget something they have learned previously; memory can be as "treacherous as Iago."

This has been proved scientifically in the psychology laboratory. H. Ebbinghaus did one of the early experiments in psychology in the nineteenth century. His work has been confirmed by many investigators since. In these memory experiments people are given nonsense syllables to learn, such as gles, stob, blum, rabo—words that have no meaning. When the subjects are able to repeat the sequence perfectly, they have learned the sequence or attained a 100 per cent score. Then the subjects are tested over time to determine how much of the original material could be recalled. The results are shown in Figure 7.2. About 47 per cent of the nonsense syllables will be forgotten in 20 minutes, 66 per cent in one day, 72 per cent in two days, 75 per cent in six days, and 79 per cent in 31 days. The experimental material shows that the retention curve drops rapidly at first, then levels off, and after the first few days, declines slowly. Figure 7.2 also shows that forgetting is not so rapid if meaningful material (prose and poetry) is substituted for nonsense syllables. However, people still forget any kind of material at a fast rate.

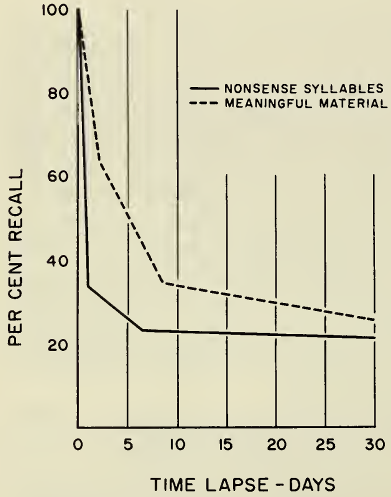

Figure 7.2. *Ebbinghaus curve of memory.*

Suppose the subjects of the memory experiment are not stopped and tested when they can repeat the sequence perfectly for the first time, but are asked to continue their study and recite the sequence over and over again. Ebbinghaus and later investigators found that such "drilling" did improve retention, and they designated this phenomenon "overlearning." Educators use the principle of overlearning to make sure that students do not forget facts of vital importance, such as the multiplication tables. Advertisers use the overlearning principle when they adopt one theme and "hammer it in" through repetition in depth.

Laws of Primacy and Recency

These two laws will be described together, since they are closely related. The law of primacy states that, other things being equal, those connections or associations which have been established first have a memory advantage over those which come after. The law of recency states that the most recent impression of a series has a better chance of being recalled later than that made less recently. These two laws were derived from the following experiment in the psychology laboratory.

Suppose that a number of subjects were given ten nonsense syllables to learn in sequence. Scores were kept of the number of repetitions of the series required before the subject could perfectly repeat the syllable in each position. The average of many such tests is as follows:[11]

Position of word:	1	2	3	4	5	6	7	8	9	10
Repetitions needed:	0	3	6	9	23	24	32	25	23	6

Note from the results that the first two words were learned at once. Those in the middle required many repetitions. Fewer repetitions were needed to learn the eighth and ninth words, and only six were necessary to fixate the last syllable. These results demonstrate that the first and last components of a series are easier to recall than those in between. We all have tried to remember some poem learned in childhood. Although we have no trouble recalling the first line, and perhaps the first and last verses, those in between have faded. For example, how many people know the middle verses of "The Star Spangled Banner"?

The laws of primacy and recency have many important applications to advertising and selling.

(1) First impressions are important in personal selling. People often associate and remember a salesman according to the impression he made when he first approached them.

(2) The first thing the customer sees in an advertising layout is important, for it is more likely to be remembered than are other elements. Since the illustration is generally observed first, it should secure empathy, good symbolic values, and, if possible, a positive selling point.

(3) Position in a magazine or newspaper can be important. Location of an advertisement on the second cover page or well forward in the medium takes advantage of the law of primacy. The ad not only has the benefit of more reader traffic, but also is more likely to be remembered. Position

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[11] Melvin S. Hattwick, *How to Use Psychology for Better Advertising* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1950), p. 245.

on the back cover as the last advertisement also takes advantage of the law of recency; this asset, plus better reader traffic than middle locations, make it a premium position in most media.

(4) The advertising or selling message that is last seen prior to purchase can be a powerful influence because of both the law of recency and the reminder effect, which enhances and freshens impressions made in the past. This explains the value of point-of-purchase advertising.

(5) A sales presentation should end strongly to comply with the law of recency. The customer tends to remember the opening and closing remarks better than the body of the presentation. Therefore, the salesperson should take special care with the closing statement; he should reiterate the strongest sales points and request the order at this stage. Opening and closing remarks are more likely to be uppermost in the customer's mind when he or she makes the purchasing decision.

OTHER FACTORS THAT INFLUENCE LEARNING AND MEMORY

The laws just discussed are of great importance in explaining how to secure favorable associations and make lasting impressions. Although the factors to be described now are less important, an understanding of them may be useful to the advertiser or sales representative.

Distribution of Effort

Psychologists have made many studies to determine whether a person learns better if he studies or practices a great deal at one time (massed effort) or if he breaks the effort up into smaller bits over time. Tests on rats in mazes and on the facility with which human beings learned codes, dart-throwing, archery, mirror-drawing, and mazes have produced results in favor of distribution of effort rather than massed effort.[12] Faster learning and better memory fixation are achieved when the effort is broken up over time.[13]

Application of this principle of distribution of effort to advertising and selling militates in favor of presenting the successive advertisements of a series with sufficient time interspersed to allow the settling-down process to occur.

The "blitz" campaign is an effective means of introducing a new product quickly, because a great many large advertisements which are massed closely, timewise, increase the possibility of readers seeing one or more advertisements in a short span of time. However, depth of impact is better achieved by spreading the effort out over time.

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[12] Munn, *Psychology*, p. 139.

[13] The technical reasons for this will not be discussed here. Those interested may find a good discussion of Jost's Law in A. C. Youtz, "An Experimental Evaluation of Jost's Laws," *Psychological Monographs*, Vol. 53, No. 238, and in C. I. Hovland, "Experimental Studies on Rote-Learning Theory," *Journal of Experimental Psychology*, IV, 26, 568-87.

A personal sales story will probably be better fixated, too, if a number of interviews is accomplished with the prospect instead of one concentrated "high pressure" presentation. The latter represents massed learning. There are often practical limitations to spreading out the personal selling effort, however: a competitor may make the sale between successive presentations, and the interview process may require too much time to be practical. Yet, the authors found some evidence that people will more readily buy houses after several sales presentations than after one, since the purchase is so important to the buyer that he is willing to put great time and effort into making the right decision.[14]

Principle of Recitation

Studies show that children learn better when they must recite material rather than simply read it. They have more incentive to learn when they know they must reproduce the material. Moreover, a reward element is invoked when forthcoming praise or punishment depends upon successful completion of the recitation. Finally, more senses are involved in recitation, since the subject must not only read, but also hear and verbalize the material. Similarly, those advertising media which stimulate more than one sense are more effective than those utilizing only one set of sensory receptors. Television has the advantages of both sight and sound over radio, which appeals to only one sense, hearing. Personal demonstration by a skilled salesman may entail most or all senses: sight, hearing, touch, taste, smell and kinesthetic (e.g., demonstration of automobile; free samples of new food product).

A partial application of the principle of recitation is for the salesman to get the prospect "into the act" by inducing him to manipulate the product, ask questions about it, write a slogan in a contest, or the like.

The Principle of Closure

This law is a corollary of the principle that learning takes place better when reward follows an act of learning. The principle states: "In any situation where a whole is perceived as incomplete, tension results; and there is aroused a drive to complete the perception."[15] Tension is reduced when the whole or Gestalt is perceived from the incomplete figure or clue. This reduction in psychological tension constitutes a reward; its consequence is a better fixation of the figure in question.

Heller, in an experiment on students, proved that better learning of material took place when closure was invoked.[16] At the same time Heller warns: "To develop advertisements that had every "n"th letter omitted would be both crude and, once other advertisers followed suit, rather obvious."[17] However, an advertisement which requires the reader to complete something in the figure or Gestalt invokes more active participation, a higher degree of self-involvement, a reward on completing the Gestalt, and, ultimately, heightened recall. Cigarette smoke might cover up part of the trademark. A line of a familiar singing commercial might be left out. An advertisement for Jello pudding mix showed the dessert in the process of being made; the reader filled in the Gestalt by imagining what the pie would look like when completed. The D'Orsay perfume people ran a fine series of advertisements on the theme "Someone lovely has just passed by." Although the reader would not see the lovely lady in question, the pleased expressions of the male boulevardiers helped the reader to visualize how beautiful she must be and thereby complete the Gestalt for himself. The Drambuie ad in Figure 7.3 is a good example of closure.

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[14] William T. Kelley, *Housing Purchase Motivations,* monograph (Philadelphia: Business Research Bureau, 1955).

[15] Norman Heller, "An Application of Psychological Learning Theory to Advertising," *Journal of Marketing,* **20**, January 1956, 248.

[16] The experiment had subjects read 60 slogans; 30 were in their normal form, and the other 30 had every seventh letter missing. A memory drop was induced by having the subjects read other material. Then rate of recall of the slogans was tested. The average memory score for the slogans with omitted letters was appreciably higher than the score for the unaltered material.

Subliminal Impressions

A few years ago a controversy arose in which critics of advertising claimed that subliminal advertising was another example of the machinations of the "hidden persuaders," while defenders of the field denied that such a phenomenon even existed. Let us evaluate the evidence with some objectivity.

To begin with, what is "subliminal influence"? Psychologists have known for a long time that there exists a threshold or limit above which a sensory stimulus will be consciously perceived, and below which it will not.[18] Although people originally thought that a stimulus of the latter case would have no effect on the subject, psychologists, as early as 1900, showed that such subliminal stimulation could influence a subject's judgment.[19] Experiments by two investigators at the Johns Hopkins University, Richard Lazarm and Robert A. McCleary, provided convincing proof of the presence of subliminal perception. Lazarm and McCleary first taught their subjects, a group of college students, a sequence of nonsense syllables by flashing the syllables on a screen at such a rate of speed and light intensity that they could readily be perceived. An electric shock was administered after certain words to condition the subjects. Then the subjects were equipped with psychogalvanometers and the words were projected faster and faster and at a constantly decreasing intensity of light until the subjects could no longer perceive the nonsense words. However, the recordings of the galvanometers showed that they still reacted to the words to which they had previously been conditioned by electric shock.[20]

Another test was done by James Vicary, a marketing research investigator. Over a period of six weeks in a movie theater in New Jersey,

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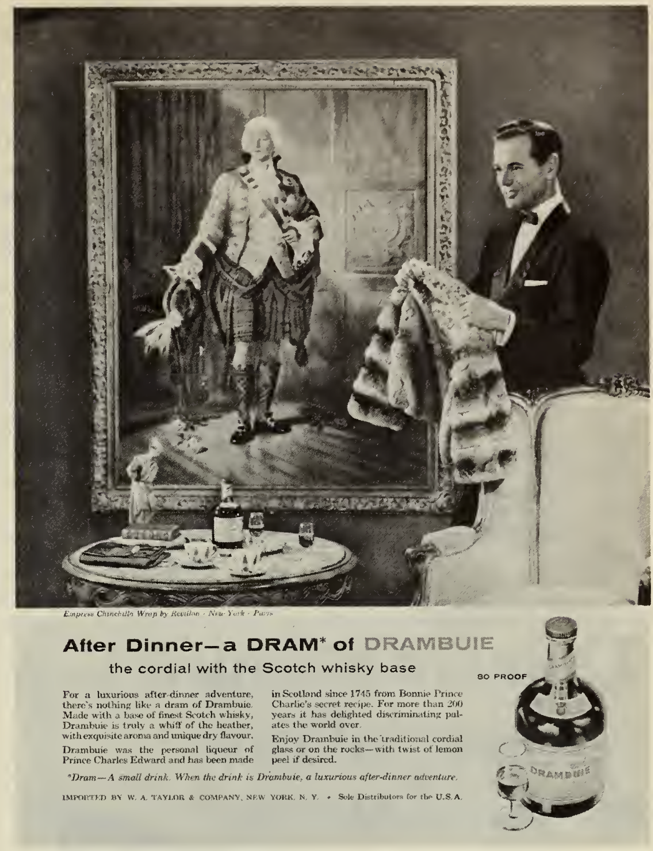
[17] *Ibid.*, p. 253.

[18] The word "limen" means threshold in Greek.

[19] A. C. Williams, Jr., *Journal of Psychology*, 1938.

[20] *Consumer Reports*, January 1958, p. 8.



Empress Chinchilla Wrap by Revillon · New York · Paris

After Dinner—a DRAM* of DRAMBUIE

the cordial with the Scotch whisky base

80 PROOF

For a luxurious after-dinner adventure, there's nothing like a dram of Drambuie. Made with a base of finest Scotch whisky, Drambuie is truly a whiff of the heather, with exquisite aroma and unique dry flavour.

Drambuie was the personal liqueur of Prince Charles Edward and has been made in Scotland since 1745 from Bonnie Prince Charlie's secret recipe. For more than 200 years it has delighted discriminating palates the world over.

Enjoy Drambuie in the traditional cordial glass or on the rocks—with twist of lemon peel if desired.

*Dram—A small drink. When the drink is Drambuie, a luxurious after-dinner adventure.

IMPORTED BY W. A. TAYLOR & COMPANY, NEW YORK, N. Y. • Sole Distributors for the U.S.A.

Figure 7.3. *An example of closure. The reader must visualize the person left out of the picture.* (Courtesy "Drambuie, the cordial with the Scotch whisky base")

45,699 people were subjected to the messages "Eat popcorn" or "Drink Coca Cola." These were projected subliminally at a speed of 1/3000th of a second and at a light intensity lower than that of a film being shown at the same time. Sales statistics of the refreshment stand in the theater for the experimental period were compared with previous sales records. Popcorn sales increased 57.5 per cent and Coca Cola sales 18.1 per cent.[21]

When the results were announced, there was a tremendous public outcry against this new tool for "breaking and entering the mind," as *The New Yorker* put it. People objected on ethical grounds to something that threatened to influence their behavior on a purely subconscious level, without their conscious knowledge. Critics predicted its use to get people to vote for wardheeling politicians, associate a competitor's product unfavorably (Churchill cigarettes—cancer), and laugh at the right time during comedy programs.[22] Others countered the threat with humor:

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[21] *Ibid.*

[22] John Crosby, "The Ad is Quicker than the Eye or Ear," *Sunday Bulletin,* September 29, 1957, p. 8.

Yesterday, upon the screen,
They flashed some ads that were not seen,
They were not seen again today . . .
Gee, I wish they'd go away![23]

Later studies have shown that earlier fears about the misuse of subliminal perception were largely unfounded, because the latter is not really a powerful medium of personal influence.

Although banning it from commercial usage, the British Broadcasting Corporation has tried unsuccessfully to project messages over television on several occasions. Mr. Vicary, the major developer of the technique, has not been able to make useful applications of it.

Subliminal perception is actually a common occurrence. Although we seem to exclude other stimuli when our attention is centered on a given stimulus, we do not succeed, for we are dimly aware of a certain amount

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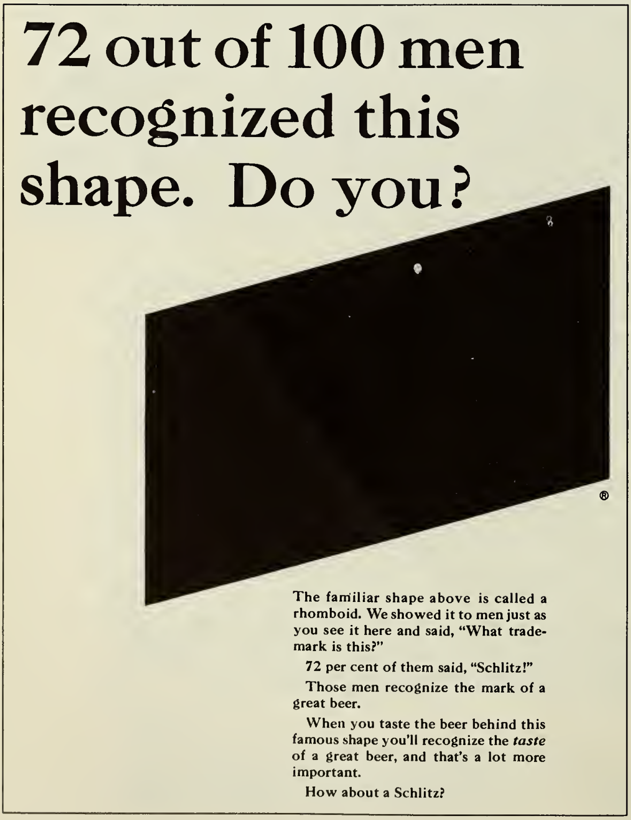
[23] William H. Kalis, "The Phantom of the Soap Opera," *Public Relations Journal*, March 1958, p. 6. By permission.



72 out of 100 men recognized this shape. Do you?

®

The familiar shape above is called a rhomboid. We showed it to men just as you see it here and said, "What trademark is this?"

72 per cent of them said, "Schlitz!"

Those men recognize the mark of a great beer.

When you taste the beer behind this famous shape you'll recognize the *taste* of a great beer, and that's a lot more important.

How about a Schlitz?

Figure 7.4. *Another ad using the principle of closure.* (Joseph Schlitz Brewing Co., Milwaukee, Wisconsin)

of background noise. If a baby cries in the distance, the sound is perceived, brought out into figure from the background noise, and evaluated by the mother. We listen to the radio with "half an ear" when we are driving or busy with some task. We notice the outdoor posters on a super highway with very low perceptive powers. Many of these impressions seem subliminal.

Psychologists believe that we are influenced by subliminal perceptions when we first meet a stranger. We all have had the experience of "instinctively" disliking a person without knowing why. We probably have been influenced by certain clues—expression, position of the shoulders, tone of voice, odor, and other characteristics of the person. Although we are not conscious of these low intensity signals, they nevertheless influence us. Similarly, we may be influenced by the "feeling tone" of an advertisement. Subtle clues, of which we are not aware, give us a feeling of empathy, disgust, cheapness, dignity, casualness, or the like about the advertisement. Since it may be difficult to explain *why* we have such a feeling, we often justify our subconsciously-formed attitude by fixing on some unimportant but explainable feature.

If subliminal advertising *were* used, its force could be no more than that of reminder advertising. In the first place, a subliminal message cannot be complicated; it has to be confined to two or three words because of the speed with which it is presented. Second, it cannot influence a person whose threshold is high. That is, the subliminal message "Drink Coca Cola" would not be perceived unless the subject were thirsty and therefore had a lowered threshold to receive suggestions for satisfying the need. Finally, the stimulus itself is so weak that it cannot leave a powerful impression on the memory. Therefore, since a subliminal advertisement could never be of more consequence than a consciously-perceived reminder advertisement, there could be little danger in using it. By the same token, its weakness would belie any advantage even if the advertiser did use it. Moreover, assuming it did leave a useful impression in the subconscious, this impression would have to be brought up into the conscious part of the mind and examined before being acted on. If irrational or inimical to the interests of the subject, it would be suppressed or otherwise censored. Because of these factors, the ghost of subliminal advertising has been laid. Subliminal advertising presents an interesting case, however, of how some laboratory curiosity may be the subject of controversy when applied to the sales area.

FACTORS THAT INTERFERE WITH LEARNING AND MEMORY

As discussed above, we forget material acquired by massed learning more quickly than that gained by spaced learning.[24] In a simple sense the new, similar impressions superimposed on the older impressions wipe out or reduce the intensity of the latter. In addition, impressions naturally

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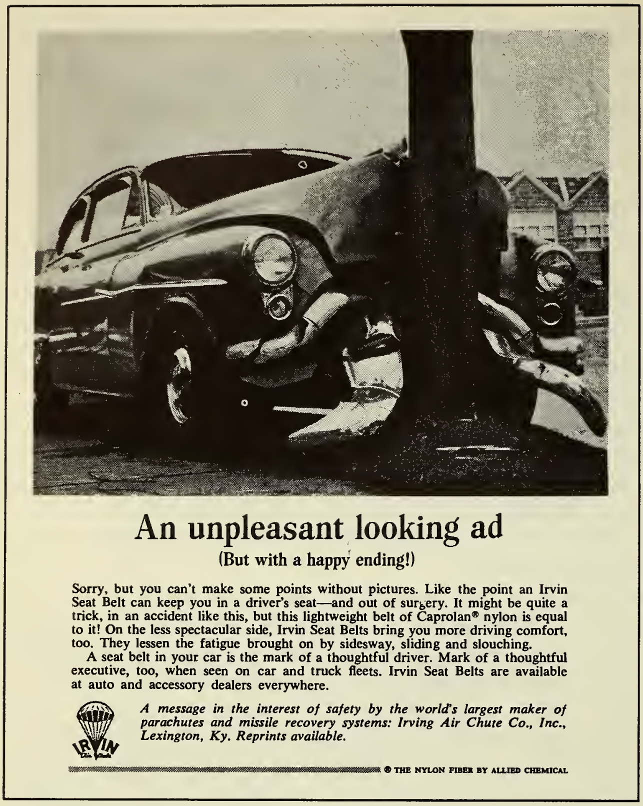
[24] Retroactive inhibition is at work here.



An unpleasant looking ad

(But with a happy ending!)

Sorry, but you can't make some points without pictures. Like the point an Irvin Seat Belt can keep you in a driver's seat—and out of surgery. It might be quite a trick, in an accident like this, but this lightweight belt of Caprolan® nylon is equal to it! On the less spectacular side, Irvin Seat Belts bring you more driving comfort, too. They lessen the fatigue brought on by sidesway, sliding and slouching.

A seat belt in your car is the mark of a thoughtful driver. Mark of a thoughtful executive, too, when seen on car and truck fleets. Irvin Seat Belts are available at auto and accessory dealers everywhere.

A message in the interest of safety by the world's largest maker of parachutes and missile recovery systems: Irving Air Chute Co., Inc., Lexington, Ky. Reprints available.

® THE NYLON FIBER BY ALLIED CHEMICAL

Figure 7.5. *A negative ad.* (Irving Air Chute Co., Inc.)

fade out over time; recalling material becomes increasingly difficult with the lapse of time. Thus, the memory curve must be restimulated by repeating the message. The restimulation stimulus need not be so strong as the original stimulus. It is easier to restimulate when the material has been learned before than it is to make an entirely new impression.

Finally, a major barrier to memory and recall is the Freudian principle of repression. Sigmund Freud taught that a normal person tends to reject the memory of unpleasant, threatening, or highly disturbing elements in his environment. Freudian psychologists believe that such negative material is not forgotten; it is repressed, put into a part of the mind which is not subject to voluntary recall. Whether such material is in fact wiped out or repressed need not concern us here. What is important is the fact that there is a greater tendency to recall material learned under pleasant circumstances than under unpleasant ones.[25]

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[25] Hattwick, *How to Use Psychology for Better Advertising,* p. 51. Bruce Barton tested two insurance advertisements using the inquiry-response method (fill-in coupon). One involved the "weeping widow has no insurance" approach (negative appeal); the other illustrated the benefits of life insurance—a picture of old men enjoying life because of annuity (positive appeal). The positive, pleasant ad outranked the negative ad by a ratio of ten to one.

Frightening people into purchasing something has long been employed in the sales field, often with success.[26] Fear appeals ("scare copy" in the jargon of advertising) are good devices for initially capturing attention and arousing interest. *If* the salesman or advertisement can get action at that time, such appeals may obtain sales results. However, since negative impressions usually fade out much faster than positive impressions, negative advertising and selling is less useful than positive for long-run selling or indirect-action advertising, which must build conscious fixations.

Another danger is the linkage between fear and disgust. Overuse of the fear approach may evoke reactions of avoidance and disgust, and the latter may become associated with the product and company.[27] One automobile company met with a peculiar "reverse English" reaction to an advertising campaign in which the company was emphasizing that its auto had more safety features than any other—oversized brakes, shatterproof glass, seat belts, deep-dish steering wheel, padded dashboard, and the like. Interviews with a cross section of automobile owners revealed that the typical reaction was: "That make of car must be unsafe—otherwise they wouldn't be talking so much about all those safety features." The negative advertising campaign was evoking exactly the opposite reaction to that intended. The company dropped this campaign quickly.

SIGNIFICANCE

Unless the customer pays attention to an advertisement or sales story and receives its communication, nothing will be accomplished. If he does, and the advertisement does not create interest, tie up with past experience, or relate to his needs, aspirations, and goals, not much more is accomplished. If the influence of the advertisement does not remain for a reasonable length of time, the advertiser still does not benefit, for, unless the consumer can remember the brand and why it is better than others, he will not prefer it at the point of transaction.

Commercial communicators have translated these needs into several distinct theories of how goods can be sold. Rosser Reeves, for example, advocates the "hard sell"—"hammering home" a strong product story in depth and saturation. Ted Bates Advertising Agency, of which Reeves is president, concocts strong argumentive prose full of product benefits (Anacin campaign). Other communicators, such as David Ogilvy, believe in creating a sharply defined personality for each brand. Through consistent effort he builds up a unique brand image. All advertisements are meaningfully related through a common identifying symbol.[28] In Gestalt terms, Ogilvy believes in creating a strong figure to stand out in the perceptual field. Some communicators believe in establishing rapport, a feeling of sympathetic interest between the seller and buyer. Norman B. Norman, of Norman, Craig and Kummel, calls it "empathy."[29] According to him, an advertisement must tell the consumer, "I know all about you"; the consumer's reaction—"What a nice guy. He understands me. What a nice product!"[30]

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[26] Different aspects of scare selling are: fear of bodily danger to self or loved ones; fear of social disapproval; fear of falling behind one's contemporaries.

[27] A brand of soap may become associated as the "BO Soap"; a beauty cream as the "ugliness cream"; an insurance company as the "tragedy outfit."

[28] Commander Whitehead—Schweppes; Albert Dimes—Tetley Tea; Baron Wrangell (man with the eyepatch)—Hathaway Shirts.

Each campaign mentioned has been outstandingly successful; others that have tried to imitate them have failed. Perhaps success or failure depends upon creative skill and artistic perception—knowing when to use a given approach and being able to translate it into pictures and copy that communicate, interest, motivate, and fixate. Although creativity defies analysis, an understanding of individual psychology can provide some clues. By considering these, the creative person can avoid mistakes and form helpful ideas.

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[29] *Printers' Ink,* December 11, 1959, p. 32.

[30] The Maidenform Bra campaign of Norman, Craig and Kummel is supposed to create this "empathy." The ads show that the Maidenform people understand that all women have had such narcissistic wishes.

Chapter 8

Belief and Conviction

In the preceding chapters we have seen that one must know how to choose and frame appeals and how to attract attention, arouse interest, and stimulate desire by presenting a picture of value and showing the benefits of the good or service being promoted. We have learned how to establish associations favorable to the product and to secure depth of impression on the memory. However, unless the prospects are convinced of the value of the product or service and believe the claims made in its behalf, all these steps will be of little use.

How is conviction secured? As noted before, decision-making is analogous to a scale in the mind of the consumer. In attempting to make up his or her mind whether to purchase a given product, the consumer weighs the utilities against the disutilities involved. At the start, the disutilities will be heavier; the scale will be tipped against making the purchase. A good, well-knit sales argument or advertisement creates a picture of value in the consumer's mind, or, in terms of the scale analogy, it adds weight to the utility side and subtracts weight from the disutility side until the scale tips the other way. To the utility pan of the scale we add product attributes: satisfaction of basic wants and secondary wants; gratification of sensory experience; personal fulfillment; and the like. On the disutility pan are the various roadblocks to purchase: price of the good or service; scarcity of means or purchasing power; satisfactions from spending the same amount of money on alternative goods and services; human inertia; fear of making an error in purchasing and being considered a fool by one's family and friends; and other negative factors.

Reducing the load on the disutility side of the scale is just as effective as adding utilities on the opposite pan. Conviction may be secured by minimizing the importance of price, reassuring the customer that he can afford the product, stimulating immediate action by action impellers, and reassuring the buyer that the purchase will not prove him a fool.

When the psychological scales have been tipped over to the utility side, the proper moment has arrived to close the sale and secure action. The salesman in personal selling becomes skilled in sensing this critical moment and can move in with the order blank. Advertising cannot do this. If the advertisement was *very* convincing, the customer may "stay sold" long enough to secure the merchandise. However, because of human inertia and procrastination, the scales usually must be tipped over repeatedly before the customer happens to be at a store where he may buy the good. As we saw in Chapter 7, memory fades quickly. The utilities evaporate from the pan, roadblocks reappear, and conviction must be secured all over again. Thus, repetition of the message is vitally necessary.

Another aspect of conviction is belief. To count as a utility on the scale, a claim must be believed by the customer. Belief is a complex phenomenon. It cannot be created just by telling the truth. It is possible to tell the truth, to be correct in every detail, and still create an erroneous and misleading impression. Hattwick[1] tells the story of a New England matron who commissioned a professional genealogist to trace her family tree. When the genealogist discovered that one member of the family had murdered a man and had been executed for the crime in the state penitentiary, the dowager told the genealogist to do something about this "rotten apple" on the tree if he wanted his fee. After much soul-searching, he wrote the following: "Great Uncle Ezekiel occupied the chair of applied electricity in one of the great institutions of this country. He died in harness."

Sandage tells of advertisements that were technically truthful, but created the wrong impression in the mind of the reader. One offered three yards of pure silk, any color, for 25 cents. When the customer sent in her quarter, she received a spool of common thread. Another enterpriser offered a genuine steel engraving of George Washington, guaranteed to be of expert workmanship, for only 25 cents. The customer who ordered this work of art received a penny postage stamp—exactly what was literally described in the advertisement.[2]

On the one hand, a seller can tell the truth and not be believed. On the other, he can make claims that are patently and obviously false and be believed by many readers. To understand this paradox, we must investigate the psychological principles of conviction and belief.

The salesman or advertiser must realize that he starts off with two strikes against him. On a conscious level, people say that they do not believe selling or advertising claims. Neil H. Borden, in a survey on people's attitudes toward all aspects of advertising, found that about one-half of the people interviewed expressed doubts about the truthfulness of advertising claims, or said they did not believe any advertising.[3] A survey by *Redbook* of 1,038 cigarette smokers found that more than one-half did not believe cigarette advertisements.[4] A survey by The Pulse, Inc. among 13,000 consumers showed that any national advertising campaign that gets at least 50 per cent belief is doing well. Belief in advertising claims varies with the type of product, as is shown by the following tabulation adapted from the Pulse survey:[5]

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[1] Melvin S. Hattwick, *How to Use Psychology for Better Advertising* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1950), p. 337.

[2] C. H. Sandage and Vernon Freyberger, *Advertising, Theory and Practice* (Homewood: Richard D. Irwin, Inc., 1958), p. 65.

[3] Neil H. Borden, *The Economic Effects of Advertising* (Chicago: Richard D. Irwin, Inc., 1942), chap. XXVI.

	Belief			
	High	*Low*	*Average*	*Disbelief and Doubt*
18 soaps, detergents	61%	11%	36%	64%
10 leading cigarettes	32	11	21	79
16 automobiles	54	18	39	61
6 utilities	42	27	32	68

Pulse found that advertising of the leading brands was believed more than that of the minor brands. The survey found little variation among high-, medium-, and low-income families. Middle-aged people believe advertising slightly more than younger and older people. Men believe advertising slightly more than women. The Pulse survey points out that the reaction of families in the high socio-economic categories to unbelievable advertising is an amused boredom, even humor; the reaction of those in the lower socio-economic groupings is bitter. The high-income person sees humor in exaggerated or overdrawn advertising; he is more permissive than the lower-income person who feels anger and resentment toward the sponsor of a message that seems false or exaggerated.[6]

Pulse also found that people who own or use a brand of a product tend to believe *its* advertising claims and disbelieve those of competing brands. For example, 77.9 per cent of car owners had faith in the promotion claims of the make they owned, while 61.4 per cent were disbelievers and doubters of car claims generally.[7] People probably believe advertising which relates to brands they own because the claims ratify their wisdom in buying the product in the first place. This built-in bias for favored brands and suspicion of unused brands are assets for owners of well-established brands.

Evidence from surveys employing conscious response to questions rather than motivation research techniques must be treated with caution. No one will admit consciously that he was swayed by outside influences in making any purchase, especially by such an influence as advertising or personal selling. He will respond that he does not believe advertising claims because he does not like to imply they have power over him. Besides, it is sophisticated and worldly to say that advertising and selling are no good. Thus, the reader must discount the results of the surveys discussed above—they are subject to bias and distortion. However, even if the results are discounted heavily, they still show that much advertising evokes doubt and disbelief.

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[4] *Advertising Age,* March 16, 1953, p. 3.

[5] *Printers' Ink,* April 3, 1953, p. 35. "High" is the highest score obtainable by any brand studied; "low" is the lowest believability score obtained by any brand; "average" is the simple average of scores attained by all brands studied, e.g., by the 18 brands of detergents, 10 brands of cigarettes, and so on.

[6] *Ibid.*

[7] *Advertising Age,* March 30, 1953.

Psychologists have not done much work on the subject of conviction. Joseph Jastrow is still probably the major authority in the field, even though his *Psychology of Conviction* was written more than a generation ago.[8] His findings are summarized in the following quotation:

> The original source of conviction is emotion . . . the initial factor in the genesis of conviction is the rivalry between reason and emotion . . . the part of reason is limited; these limitations form the clues to the understanding of the forces by which beliefs live and move and have their being.
>
> Men's convictions, generation by generation, have been accepted traditionally, as they still are. In every direction of inquiry, beliefs have been embraced, and have kept thinking alive that to later and more enlightened views appear strange, fanciful, and irrational. Most generally people have believed and continue to believe what they are told and taught to believe.
>
> The chief determinants of the psychology of conviction . . . are emotion and convention. Fundamentally, beliefs are formed and held because they satisfy, because they minister to some deep psychological craving, or some simpler need for indulgence; equally significant is the sharing of such beliefs with others, which is their indispensable social reinforcement and gives the added value of a conscious adjustment and acknowledged approval.[9]

Let us now analyze the implications of the above statement and apply them to the sales and advertising fields.

1. *People's beliefs are based on feelings and emotions.* As Jastrow demonstrates, people do not acquire their convictions through a logical reasoning process, but by emotional responses to situations. It is difficult to change such beliefs once they are adopted by a customer. Public relations counselors say that it is easy to get a bad label, but it is difficult to get rid of it.

Advertisers have found that people will not believe a true statement if it seems too removed from normal common experience. Poffenberger gives cases in which most readers expressed disbelief about a trunk which held up under the weight of an elephant, a phonograph whose qualities could not be distinguished by thousands of people from the live performance, and a fountain pen that withstood the weight of buses rolling on it.[10] A certain soap company claimed that a box of its detergent would make a carload of suds. Although the advertising manager proved the claim by hiring a big truck, installing air vents in the floor of the trailer, and making more than 1,250 cubic feet of suds, there was widespread disbelief among those who read the ad.[11]

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[8] (Boston: Houghton Mifflin Company, 1918).

[9] From Hattwick, *How to Use Psychology for Better Advertising*, p. 339. Grateful acknowledgement is made to Dr. Hattwick for many ideas and illustrations in this chapter.

[10] A. T. Poffenberger, *Psychology in Advertising* (New York: McGraw-Hill Book Co., Inc., 1932), pp. 544-50.

Each of the above campaigns erred by challenging belief. Owners of circus side shows may make money by challenging the public to "believe it or not"; Robert Ripley made a fortune with his "Believe It or Not" cartoons in the newspapers; but advertisers cannot do the same.

People will believe what fits comfortably into their own experience. For example, sociologists who have studied the average housewife say that her range of interests is very narrow—it revolves about children, husband, home, and church. She hopes that things will be better for her family in the future, but not too different. She fears moving up the social scale too fast—several quick steps up the ladder may put her into a situation in which her new associates will not accept her, in which she does not have perception of group norms, in which she may be ridiculed by former friends as a social climber. She also is apprehensive of losing control of the members of her family; her husband may stray, and her children may learn new, puzzling habits and attitudes.[12] The outside world is frightening to her; she tends to shut it out, confine it, and interpret it in terms of her comfortable stereotypes.

Paradoxically, people will believe something that is obviously false, that their reason should tell them cannot be true. If the motivation is great enough, people will suspend their critical faculties, their reason. The appeal of games of chance to the gambler depends on the lure of sudden, unearned wealth. People know the odds are a million to one against winning the Irish Sweepstakes, yet thousands of Americans still buy tickets. Intelligent people have fallen for confidence games. The women mulcted by Ponzi were not mentally deficient; they *wanted* to believe in Ponzi's ability to return 25 per cent to 33 per cent per annum on their "investments" with him. Prominent surgeons, lawyers, ministers, and other professional men have been defrauded by the famous "Spanish prisoner game," which has been traced back to sailors of Columbus and has been flourishing ever since.[13]

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[11] D. B. Lucas and S. H. Britt, *Advertising Psychology and Research* (New York: McGraw-Hill Book Co., Inc., 1950), p. 70.

[12] Some companies interview a candidate's wife as well as the man himself. They want to be sure that she is capable of growing with her husband, of adjusting to new mores and folkways, as he climbs the executive echelons.

[13] The victim gets a letter from some Latin American country. It is written in elegant English, but the writer is obviously foreign. He says he was formerly a very wealthy man, but his political enemies have put him in jail. He has a beautiful daughter he wants to get out of the country and educate in the United States. He foresaw the trouble and liquidated some of his assets, putting them in negotiable securities, uncut diamonds, platinum, and the like; he got this wealth out in a trunk. The trunk now resides in a baggage room of an American border town. If the victim will send $10,000 in care of a certain trusted intermediary whose address is given, he will be able to bribe officials and provide the means for his daughter's escape to the U.S. On arrival at the border town, the daughter will meet the victim, claim the trunk, go to the hotel room, and divide the contents of trunk with him. Of course, the victim never sees his money, nor the pretty daughter. He returns home sadder and wiser.

The tendency of people to believe in "something for nothing" schemes opens the door for unethical selling practices of all kinds—useless patent medicines, quack medical services, phony stocks, fortune-telling services, sham "free goods" offers, and the like. It is unfortunate that the same advertising and selling techniques used to sell honest, legitimate products and services can also be employed to sell goods of no value, or of actual harm to the credulous, the greedy, and the despairing. We must avoid the psychological trap of branding *all* advertising bad just because it may be used for socially harmful purposes.[14]

2. *People tend to believe propositions that are socially reinforced.* People tend to believe what their friends believe, what they have been taught to believe by their parents and teachers, and what those in authority believe. If they wish to be identified as members of a reference group, they must accept the beliefs of that group or be ostracized. They desire to conform, to be accepted; therefore they accept ready-made beliefs. Reavis Cox has stated that beliefs are handed down as part of "the baggage from the past." When a child is born into a given socio-economic class, he automatically is exposed to and assumes the attitudes and convictions of that group. He acquires prejudices—the people of the X race are inferior; my religion is the only true one; his myths and legends are ready-made. Copernicus and Galileo evoked not only amusement, but also anger and fear when they stated the earth was round, revolved around the sun, and was not the center of the universe. Radical theories are threats to received beliefs; they violate mores as well as folkways and thereby elicit violent public reactions.

The power of social reinforcement is shown by William H. Whyte, Jr., in his *The Web of Word of Mouth.*[15] Whyte postulates that the informal group decides when a new product shall become accepted by the group members. Those who acquire the product before group norms permit are considered outsiders; failure to buy the good after the group has accepted it may be considered rejection of the group's judgment and evoke irritation, resentment, and even mild ostracism.

The power of social reinforcement can be used effectively in advertising and selling by the "bandwagon" approach—"all the best people in town are getting this product." The "figure of authority" may be employed—a testimonial may be given by an anonymous person who obviously knows what he or she is talking about or by an identified person with whom the reader will be familiar, such as a screen star or sports figure.

Testimonial advertising has an ancient history and is still used today. One of the most successful campaigns was the Ponds advertisement in which lovely English (later American) beauties attributed their beautiful complexions to the use of Ponds products. The same advertising agency, J. Walter Thompson, originated the famous Lux soap campaign somewhat later. None of the Hollywood stars who endorsed the product was paid a cent—the free publicity was worth millions. Similarly, leading company presidents endorsed Calvert's whisky for the successful "Man of Distinction" campaign.

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[14] Herbert Hoover once observed that just because irate Irishmen sometimes throw bricks at policemen and through windows during riots, the manufacture and sale of bricks should not be outlawed.

[15] See Chapter 31.

Endorsers are often paid. One New York agency secures endorsements for pay from just about any kind of person—actors, actresses, society people, foreign nobility and royalty, sporting figures. Few testimonials presently used by advertisers are obtained without something of value in return.

Many people resent testimonial advertising. When Neil Borden interviewed people regarding their attitudes toward advertising, he found they objected most frequently to "the testimonial racket." Such widespread doubt about the sincerity of testimonial copy probably reduces the effectiveness of this approach, for people are cautious about such claims. However, testimonials are still a powerful means of influencing the public. If the reader recognizes the source as authoritative, if the message is straightforward and sincere, if the advertisement is in good taste, then testimonials may be effective. They provide good attention-getting power, since they utilize the interest people have for figures in the public eye, and they provide good social reinforcement which aids in securing confidence and belief in the message. However, testimonials that strain credulity will not be believed. Nor will those given by someone not recognized as a figure of authority. Women of this country would accept an actress as a figure of authority on beauty preparations, perfume, and items of allure, but her endorsement of a food chopper or a hydrogenated shortening would not be so received, for she would not be considered an expert in homemaking.

An endorsement does not always have to originate from a well-known name to be effective. An artificial name may be built up over a period of years. General Mills created Betty Crocker. "She" gets thousands of letters a year from housewives seeking advice on personal and homemaking matters. General Mills is careful to answer every one of these letters. Lydia Pinkham was similarly regarded as a friend by generations of women who took her tonic.

3. *People believe what caters to a deep psychological craving.* People often believe what they want to believe, what caters to a basic need or drive. A drab girl with little natural beauty will believe that wearing a certain perfume will help "get her man" because she *wants* to believe such a thing possible. All people have feelings of insecurity—they need the reassurance of comforting beliefs. They need their egos bolstered, and the possession of a prestige car, an exclusive suit of clothes, and the like, serve this purpose.

Justifying these beliefs, however, demands rationalization. A colleague of the authors announced that he was going on a cruise to the Caribbean. Although the reason for this decision may have been desire for adventure and ego satisfaction (it's the thing to do), he told his friends he was "feeling run-down, needed a change, would get new perspectives that would help him in his work." He probably believed the latter reasons himself. He had to "fool himself," to rationalize his decision, because he could not consciously accept the real reason. It is possible that physically he did need this cruise, but it is equally important to speculate on the importance of satisfying these "nonrational" wants. People often put up a facade of rationality to cover up their emotional existence, which they are somewhat ashamed of and refuse to admit influences their behavior.

F. H. Lund investigated the correlation between belief and desire, knowledge and evidence. He obtained the following results:[16]

	correlation
Belief and desire	.88
Belief and knowledge	.64
Belief and evidence	.42
Knowledge and desire	.13
Evidence and desire	.03

The above findings show that there is little relationship between belief and evidence, but a high correlation between belief and desire. Anything that one wants strongly enough due to some emotional motivation can be ratified and rationalized quite readily. Professor Lund also found that "Beliefs once formed are not willingly relinquished . . . because of the primacy in persuasion." That is, the advertiser who is the first to persuade customers about a product has an advantage over subsequent competitors.

Professor Lund's evidence suggests that the introduction of appeals to secondary wants (rational reasons) in an advertisement or sales presentation whose central appeal is to one or more of the primary wants, gives the reader material with which to rationalize his decision. For example, the Cadillac automobile is generally sold on appeals to the desire to be superior or to adhere to reference group norms, but copywriters will incorporate reason-why arguments, or product features, as well—the car is durable, safe, does not depreciate as fast in value. The man who buys the Cadillac for emotional reasons is given adequate ammunition with which to justify his action to himself, his wife, work associates, friends, and others.

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[16] "The Psychology of Belief," *Journal of Abnormal and Social Psychology*, **20**, 1925, pp. 194-95.

Chapter 9

Corporate Image and Brand Image

Since the time of Socrates and the early Greek philosophers, thinkers have speculated on the nature of reality and of man's perception of it. They agree, for the most part, that there is no directly provable reality—people perceive the worldly objects surrounding them through their five senses. Messages transmitted by these senses are imperfect and incomplete.[1] In addition, no one perceives an object in the abstract; it always filters through the individual's system of values, which has been created by past sensory experience. Many of these values have been learned from parents, teachers, associates, and others, and are themselves either untrue or severely distorted. Perception of objects and relationships from the environment, which have been screened through a prejudiced value system, yields "pictures in our heads," as Walter Lippmann calls them.[2] "It is the insertion between man and his environment of a pseudo-environment. To that pseudo-environment his behavior is a response. But, because it *is* behavior, the consequences, if they are acts, operate not in a pseudo-environment where the behavior is stimulated, but in the real environment where action eventuates."[3]

Often this pseudo-environment, being distorted, is so divorced from reality that resultant acts are poor adjustments to reality. Many problems result from the prejudices, erroneous impressions, and dogmatic theories which are received from the past and color and distort perceptions. Moreover, reality is too vast, too complicated, and too transient for direct acquaintance: "We are not equipped to deal with so much subtlety, so much variety, so many permutations and combinations. And although we have to act in that environment, we have to reconstruct it on a simpler model before we can manage with it."[4]

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[1] For example, students of communication say that we receive only a portion of the information "bits" disseminated by a transmitter. By insight and experience, we fill in the missing bits, and make sense out of the communication by completing a Gestalt. Because of incomplete reception of the message, the Gestalt may be different from the matter conceived in the sender's mind (original Gestalt). Thus, Gestalts or images transmitted interpersonally can never be perfect; the image in the receiver's mind can never be a perfect reproduction of the original image in the sender's mind. It varies from fair, poor, highly-distorted, and completely wrong.

[2] Walter Lippmann, *Public Opinion* (New York: Pelican Books, 1946), chap. 1.

[3] *Ibid.*, p. 10.

Thus, human beings form "stereotypes." These stereotypes are simplifications from complex reality that make it possible to form manageable "pictures in our heads."[5] People form stereotypes in many fashions. They speak of a Harvard man, a West Pointer, an old army sergeant, a beatnik, a Britisher. Each of these words evokes an image which is conventional, one usually passed down by the culture. People also form such stereotypes about companies and brands of goods produced by companies. No one, not even the president of the company, can visualize General Motors. How can anyone visualize the 595,000 employees at home and abroad; the 129 plants in 71 cities in the United States, plus the 5 in England and 79 abroad; the 180 million square feet of floor space needed by the 34 major operating divisions that turned in sales of $12.7 billion and an operating profit of $2 billion in 1960? How can anyone conceive of the $7.8 billion in total assets?[6] A high executive of such a company, in spite of years of experience, must form convenient images or stereotypes that simplify the incredibly complex relationships involved. In fact, the higher the echelon, the simpler and therefore the more divorced from reality the stereotypes must become, and the less real control they exercise. This is an inherent disadvantage of the great corporation. The limitation of the human mind in grasping complexity has resulted in the decentralization of large companies. Each operating division becomes, in essence, a separate company that operates within the broad framework of policy set down by the parent corporation. The divisions are small enough to enable some degree of effective control.

Each consumer, on the basis of his limited contacts and experience with the company, forms a convenient stereotype of the institution. It is a composite of all he has read and heard about General Motors, its advertising, his experience with its products, the experience of his friends, relatives, and associates with the products, his contacts with General Motors employees, his prejudices about companies of this kind (perhaps an adverse attitude toward bigness *per se*), and the like. Similarly, by a parallel process, he acquires convenient stereotypes about specific product brands.

The more modern term for a stereotype is the word "image." According to Remus A. Harris,[7] the basic concept of product and brand image was introduced into advertising and marketing by Dr. Burleigh B. Gardner and Louis Cheskin in the late 1940's. Since that time, there has been a great deal of attention paid to "images." Professor Boulding, in his *The Image,*[8] discussed how images are formed and their significance in our political, economical, historical, and cultural life. Boulding suggests the establishment of a new discipline, called Eiconics, to study images and their importance, especially to public relations counselors and advertising people.

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[4] *Ibid.*, p. 11.

[5] Lippmann first discussed stereotypes in *Public Opinion* in 1922. See Chap. 6.

[6] The figures are from *Moody's Industrial Manual* (New York: 1961), pp. 2253-60. All statistics refer to calendar year 1960.

[7] *Advertising Age*, July 21, 1958, p. 61.

Pierre Martineau points out that the old-time business man was almost completely unaware of the importance of planned image-building.[9] He advertised his product's attributes, naïvely assuming that people would think well of his company if they liked his product. He did not realize that one bad impression could impair his image and wipe out the favorable effects of thousands of dollars of product advertising. Martineau estimates that about $1 billion a year, nearly 10 per cent of total advertising appropriations, is spent in the United States in attempts to better corporate and brand images,[10] yet few corporate executives understand what an image is and how to get a favorable one.

Image means "the personality of a brand (or company), all the things associated with it or perceived about it, the commonly held views about it. A brand or company image may attract some people, and repel others —it is the same for users and nonusers, for those who like it and those who dislike it."[11]

Martineau points out the close analogy between a human personality and a corporate or brand image:

> But, basically, most people like or dislike other persons for the same kinds of reasons they are attracted to, or repelled by, a corporation. And just as most people judge other individuals on the basis of the clothes they wear, the car they drive, their home, their personal appearance, diction, manners and various physical attributes, so does the public form opinions of stores based on their window displays, and on the physical appearance and style of their advertising. Most people are likely to judge a book by its cover, a product by its packaging, and a corporation by their personal knowledge of its employees, products, services, profit-and-loss statements, or of the content and appearance of its advertising, public relations, and other communications. The most important point to keep in mind when considering individual or collective attitudes is that most of these judgments are formed on the basis of symbols rather than facts. People do not react with reality. Rather, they react with their subjective knowledge of reality. This is the main reason why the approach for development of positive public attitudes toward a corporation is filled with so much uncertainty.[12]

John E. Kusik, vice-president of the Chesapeake & Ohio Railroad, gives some insight into the magnitude of the task. The C & O's computer expert calculated that the company generates an average of four *trillion* public impressions per year through its 100,000 pieces of rolling stock, stations, 30,000 employees, contacts with suppliers, stockholders, articles and reports in the press about its activities, and, lastly, its advertising, timetables, and other publications. Building up a favorable or unfavorable image in the public mind through these countless impressions depends on how skillfully the institution plans and executes its public relations program. Adverse sentiments, like weeds in an uncultivated field, will generally take root if no action is taken by the company.

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[8] Kenneth E. Boulding, *The Image* (Ann Arbor: University of Michigan Press, 1956).

[9] Pierre Martineau, "The Corporate Personality" in Lee H. Bristol, Jr., ed., *Developing the Corporate Image* (New York: Charles Scribner's Sons, 1960), pp. 3-13.

[10] *Ibid.*

[11] A. W. Frey, *Advertising,* 3rd ed. (New York: The Ronald Press Company, 1961), p. 19.

[12] Martineau, "The Corporate Personality," p. 5.

David Ogilvy says there is no such thing as a neuter brand. A vascillating policy will inevitably create a bad image, but a consistent, well-directed policy will create a brand image that stands out, or has good figure, in terms of Gestalt psychology.[13] It will produce a strong symbolic meaning, as Commander Whitehead did for Schweppes, Albert Dimes for Tetley Tea, and the man with an eyepatch for Hathaway shirts. As Ogilvy points out: "The greater the similarity between products, the less part reason really plays in brand selection."[14]

Since there are no objective, easily dramatized product distinctions among soaps, whiskeys, cigarettes, and most packaged grocery and drug items, the advertiser must give his brand a sharply defined personality. He must treat it symbolically and give it a feeling tone specifically oriented to support the symbolism.

There seems to be great homogeneity in brand perception. Henry L. Munn found that brand perception for selected brands within four product classifications was largely independent of consumer socioeconomic classification. No significant difference was found by income, education, or by age.[15] Frame of reference, however, does seem to make a difference.[16] The advertising medium may be one such point of reference.[17] An advertisement in a pulp magazine will be read with a different attitude from the same advertisement in a slick, prestige magazine. Thus, the "feeling tone" surrounding the advertisement is an important point of reference. Likewise, an advertisement with a sleazy format, or one that pokes fun at the product, will not suggest serious concern and responsibility on the part of the company using it.[18]

Remus A. Harris, an outstanding authority on creating demand images, says that seven kinds of marketing images can be developed:[19]

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[13] David Ogilvy, "The Image and the Brand," in Bristol, ed., *Developing the Corporate Image,* pp. 167-72.

[14] *Ibid.*, p. 170.

[15] "Brand perception as Related to Age, Income, and Education," *Journal of Marketing,* January 1960, p. 34.

[16] Allan Greenberg, "Frame of Reference of Image Responses," *Journal of Marketing,* April 1961, pp. 62-64.

[17] Edmund D. McGarry, "The Propaganda Function of Marketing," *Journal of Marketing,* October 1958, p. 38.

[18] James D. Woolf, "Concerning Long-Term Image Creating," *Advertising Age,* February 13, 1956, p. 47.

[19] Reprinted with permission from the July 12, 1958 issue of *Advertising Age.* Copyright 1958 by Advertising Publications, Inc.

1. *Corporate image* is the most complex image to develop. Most companies have ambiguous or fuzzy corporate images. A few, such as General Motors, General Foods, Kellogg, Proctor and Gamble, and Ford have developed outstanding, clear images.
2. *Institutional Image* is the same as the corporate image, but without the brand factor. Of what service is the company to the community? Is it a good neighbor? Does it act in the public interest? American Telephone and Telegraph, Sears, Roebuck, and Metropolitan Life Insurance are companies that have developed good institutional images.
3. *Product image* is the attitude of consumers toward a type of product, e.g., vegetable shortening, oleomargarine. Since all products compete for the consumer's dollar, a favorable product image is important. Over a period of years oleomargarine manufacturers changed their image from that of a cheap, inferior substitute for butter to "as good as the real thing." Bad advertising by one producer in an industry can hurt the whole field.[20]
4. *Brand image* is the composite impression of an individual "make" created by a brand's advertising, packaging, value, and product attributes. If successful, a brand seems to have a distinct personality that sets it apart from its competitors. In Gestalt terms, it has good figure in the minds of the consumers. For example, Crisco, Fluffo, and Spry have different, distinct brand images among women grocery shoppers.[21]
5. *Brand-line image* is the composite impression made in consumers' minds by several brands in a line owned by one company. Some are related lines (Campbell's Soups); others are unrelated, but in a general product category (Lever Brothers soaps, detergents); still others are unrelated under a house brand (Kraft cheeses, cooking oils, candy, and other products). There is danger of diluting an image when too many items are put under it.
6. *Diffused image* is created when a brand's advertising theme and/or the media pattern is changed too often. The image is blurry and stands for nothing definite. Scores of brands qualify under this classification; probably the majority of brands are included. Sometimes such an image is the result of poor creative advertising; other times it is because the advertiser tries to make the product be all things to all people—the theme is constantly switched to take in this market or that market. No penetrating theme is driven home by repetition, by ringing changes on the same basic idea, until it is firmly associated with the brand name. Again, the advertiser may attempt to build an image for a product which has no importance or glamor to the consumer, such as clothes hangers, sugar, lace curtains, or wrenches. Lastly, the advertiser may try to alter an image when the surrounding circumstances, the product, and its history present insuperable barriers to the change. An example is the current attempt to give Imperial Whisky snob appeal when the price bracket

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[20] See discussion of the cigar advertisement in Chapter 5, p. 92.

[21] *Advertising Age,* July 12, 1958, p. 62.

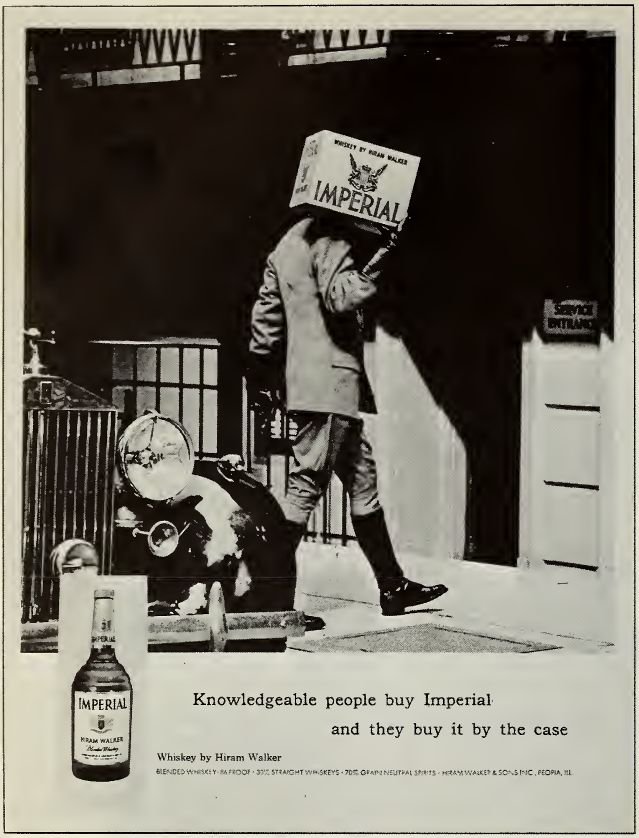
WHISKEY BY HIRAM WALKER
IMPERIAL
SERVICE ENTRANCE
IMPERIAL
HIRAM WALKER
Knowledgeable people buy Imperial
and they buy it by the case
Whiskey by Hiram Walker
BLENDED WHISKEY · 86 PROOF · 30% STRAIGHT WHISKEYS · 70% GRAIN NEUTRAL SPIRITS · HIRAM WALKER & SONS INC., PEORIA, ILL.

Figure 9.1. *Example of a brand that is attempting to alter the basic brand image.* (Courtesy Hiram Walker, Inc.)

and past history of the brand as a lower-priced product make such an image doubtful. Imperial may eventually have an impaired image.

7. *Consumer demand image* "is the composite impression of an individual brand's superiority in fulfilling consummate needs and desires, known and expressed as well as unarticulated, created in the minds of consumers by advertising, packaging, value and product with sufficient force to compel initial and continuing purchase of the brand."[22] Readers will recognize this category as the ideal brand image, but one not often achieved in everyday marketing.

Agencies which get a new brand of a product from the first are in a fortunate position. Given a good product and adequate money for advertising, they can plan out a detailed promotional strategy and mold a distinct personality for the make. Sometimes an older product can be given a complete "face lift." Leo Burnett's story of the Marlboro cigarette account is an instructive case history of how a brand image was completely altered and revamped.

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[22] *Ibid.*

THE MARLBORO STORY[23]

The story starts in 1954. There were indications that substantial numbers of smokers were starting to switch to filter cigarettes. The Philip Morris people had an unusually fine filter. They had a blend of tobaccos that in consumer tests had proved itself quite superior in flavor to other filter cigarettes of the day.

They also had a radically new type of cigarette package called the "Flip-Top Box." It looked like a regular cigarette package but it was firm so the cigarettes wouldn't crush, even when a construction worker put them in his pants pocket.

Naming the Baby

The first thing their new baby needed was a name, and cigarette names are hard to come by. Finally they decided to give it a name they already had, "Marlboro." But this was the name of a totally different kind of cigarette than the one they wanted to sell. What's more, Philip Morris had been putting it out since 1924. It was an extremely mild cigarette liberally laced with Turkish tobaccos. It came both with an ivory tip and a red "beauty tip." Many women smoked it and it was rather widely thought of as a lady's cigarette.

So there they were. They had a perfectly good name, but they needed to make it the name of an entirely different kind of cigarette.

In tackling the problem, our advertising agency had the benefit of some very thorough research by Elmo Roper and that of the Philip Morris research people. The new filter cigarette came in a characteristic package.

As a first step, a group of us went down to Richmond, Virginia, where the new Marlboros were being made. Excepting a bakery, we had never seen a place that looked so clean or smelled so good. We were equally impressed by the research laboratories. Here we found a large staff of doctors of this and that using an amazing lot of scientific equipment to analyze tobacco, filters, and smoke itself.

This visit convinced us that Marlboro was a very good cigarette made with a great deal of care and conscience. But it didn't solve the problem for us.

The first temptation was to go overboard with advertising that featured the "Flip-Top Box," the first real change in cigarette packaging in 38 years. It not only kept the cigarettes in good shape right down to the twentieth one, but, when empty, it was dandy for carrying fishhooks, stray buttons, and all sorts of things. But people didn't smoke boxes, and everybody decided that it was what was *inside* the box that counted most. So we turned to Elmo Roper's research.

What the Research Told Us

When we combined the research findings with common sense and experience, two points of special significance seemed to emerge:

1. People regarded the old ivory-tipped Marlboro as sissy. (That's the way it

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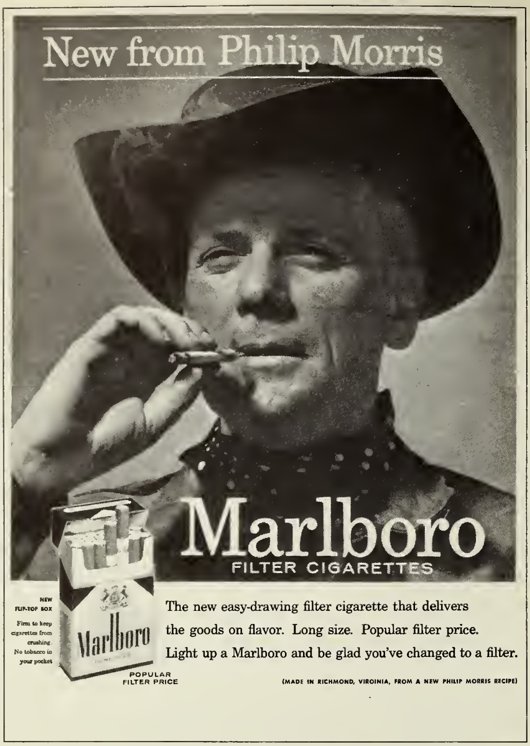
[23] Reproduced by permission of the Leo Burnett agency.



New from Philip Morris

Marlboro

FILTER CIGARETTES

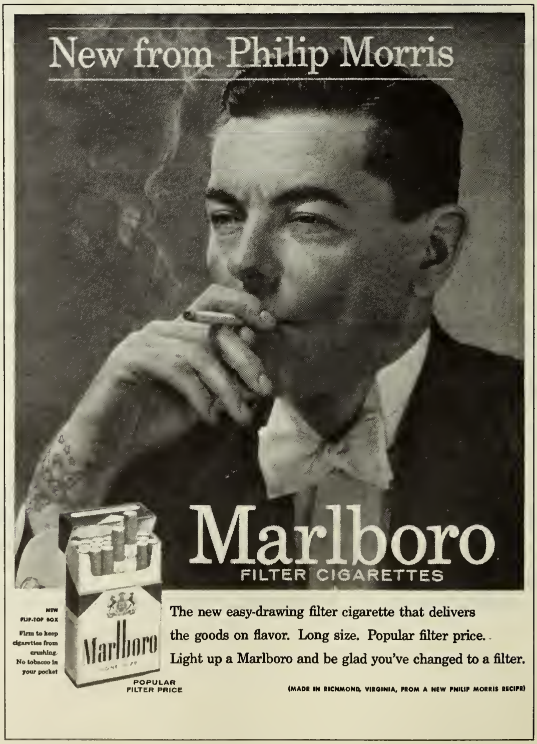
NEW FLIP-TOP BOX

Firm to keep cigarettes from crushing. No tobacco in your pocket

The new easy-drawing filter cigarette that delivers the goods on flavor. Long size. Popular filter price. Light up a Marlboro and be glad you've changed to a filter.

POPULAR FILTER PRICE

(MADE IN RICHMOND, VIRGINIA, FROM A NEW PHILIP MORRIS RECIPE)



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FILTER CIGARETTES

NEW FLIP-TOP BOX

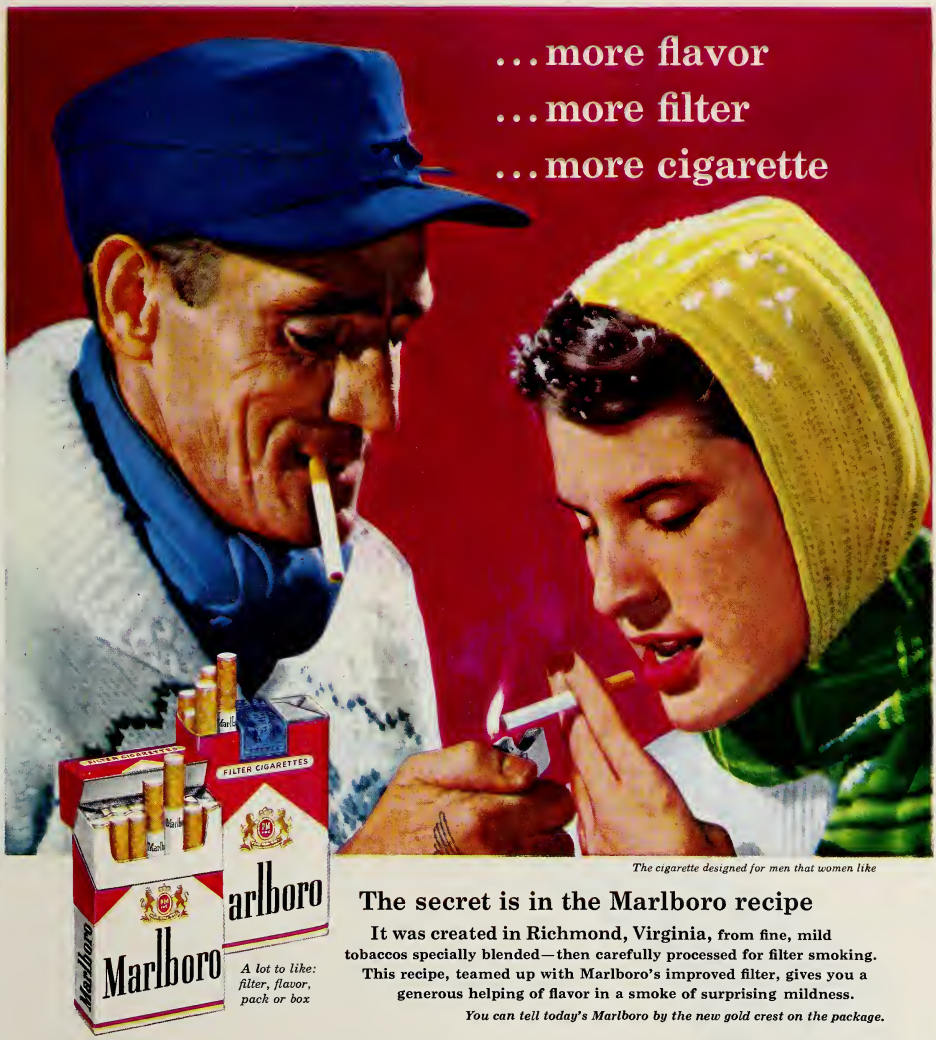
Firm to keep cigarettes from crushing. No tobacco in your pocket

The new easy-drawing filter cigarette that delivers the goods on flavor. Long size. Popular filter price. Light up a Marlboro and be glad you've changed to a filter.

POPULAR FILTER PRICE

(MADE IN RICHMOND, VIRGINIA, FROM A NEW PHILIP MORRIS RECIPE)

Figure 9.2. (a) and (b) *The original cowboy ad and the first tattoo ad.* (Marlboro illustrations courtesy of Philip Morris Inc.)


...more flavor
...more filter
...more cigarette
FILTER CIGARETTES
Marlboro
FILTER CIGARETTES
Marlboro

The cigarette designed for men that women like

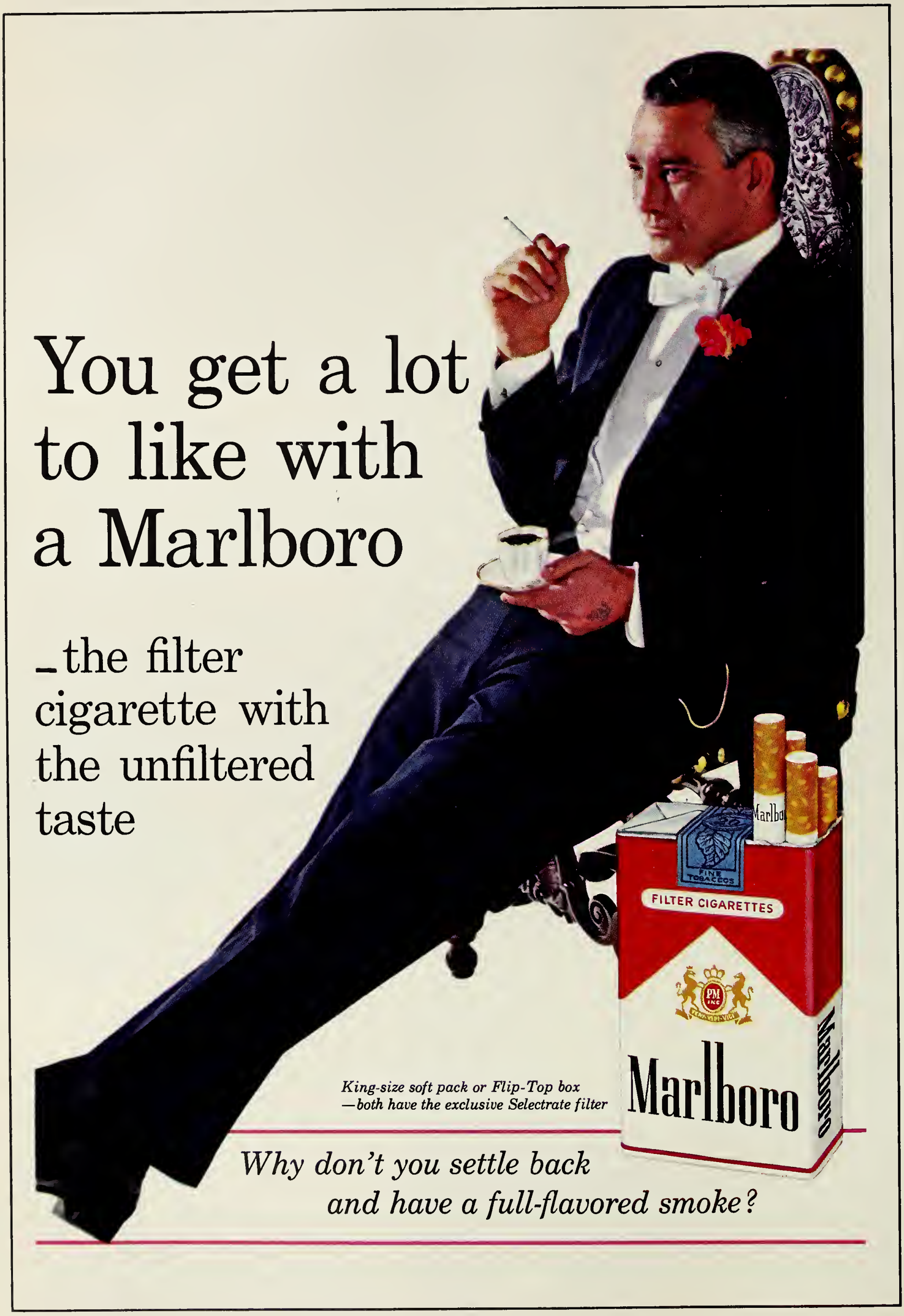
The secret is in the Marlboro recipe

It was created in Richmond, Virginia, from fine, mild tobaccos specially blended—then carefully processed for filter smoking. This recipe, teamed up with Marlboro's improved filter, gives you a generous helping of flavor in a smoke of surprising mildness.

You can tell today's Marlboro by the new gold crest on the package.

A lot to like: filter, flavor, pack or box

Figure 9.2. (c) *A switch to product attribute.*



You get a lot to like with a Marlboro

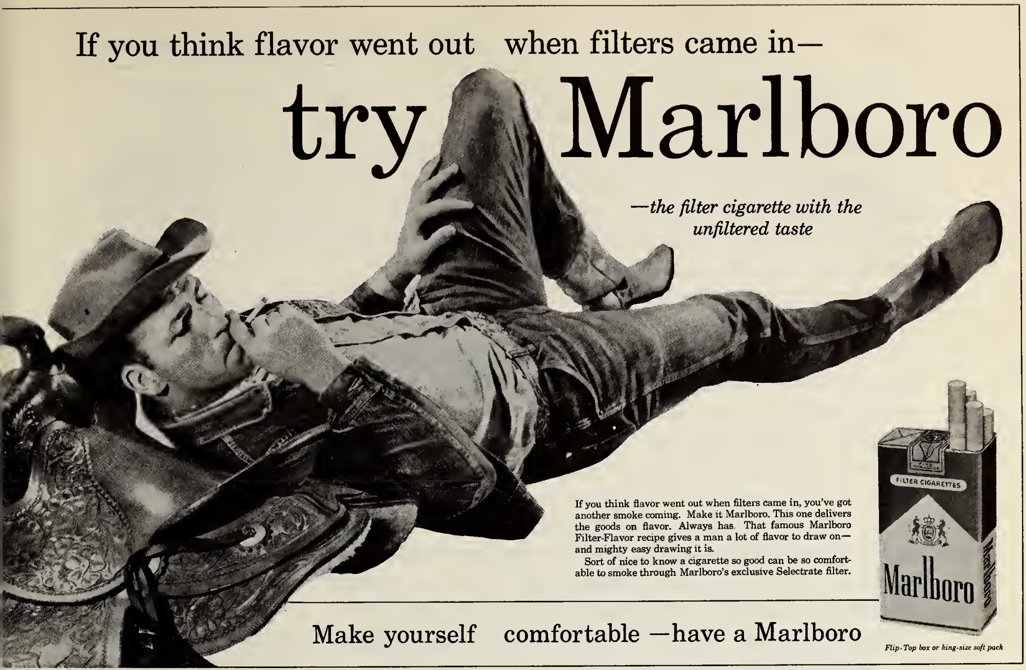
—the filter cigarette with the unfiltered taste

King-size soft pack or Flip-Top box —both have the exclusive Selectrate filter

Why don't you settle back and have a full-flavored smoke?

FINE TOBACCOS
FILTER CIGARETTES
PM INC
Marlboro
Marlboro
Marlboro

Figure 9.2. (d) *A recent tattoo ad.*



If you think flavor went out when filters came in—

try Marlboro

—the filter cigarette with the unfiltered taste

If you think flavor went out when filters came in, you've got another smoke coming. Make it Marlboro. This one delivers the goods on flavor. Always has. That famous Marlboro Filter-Flavor recipe gives a man a lot of flavor to draw on—and mighty easy drawing it is.

Sort of nice to know a cigarette so good can be so comfortable to smoke through Marlboro's exclusive Selectrate filter.

Make yourself comfortable —have a Marlboro

Flip-Top box or king-size soft pack

Figure 9.2. (e) ***A recent cowboy ad.***

had been advertised—"America's luxury cigarette"—in a very plush atmosphere.)

2. Many regular smokers at that time tended to regard all filter cigarettes as slightly effeminate.

The new Marlboro wasn't this kind of a cigarette at all. It had a flavor you could get hold of and roll around in your mouth. There was nothing sissy about it.

It didn't take any motivational research or psychological seance to decide that the best way to sell the new Marlboro was to present it for what it really was, a filter cigarette with a full, honest flavor that could satisfy a man who was a regular smoker. In other words, a man's filter.

The Marlboro Cowboy

We asked ourselves what was the most generally accepted symbol of masculinity in America, and this led quite naturally to a cowboy.

The next natural question was: "If a cowboy were talking about the flavor, what would he say?"

This led to the phrase, "Delivers the goods on flavor."

The new Marlboro was made from a special and exclusive blend, so we called it a "recipe," which is exactly what it is.

It seemed desirable also to let people know the name of the new Marlboro's respected maker. This led to the line, "New from Philip Morris," and this appeared in all introductory advertising.

The advertising first broke in New York, Chicago, and Los Angeles. The public responded spontaneously and in a big way.

Machines Flown from England

The new Flip-Top Box required special and very intricate machinery, made only by a company in England, which at that time enjoyed the engineering collaboration of Vickers, Ltd., of jet airplane fame. To keep pace with the sudden and overwhelming demand, extra machines were flown over from England as fast as they could be manufactured.

So far so good, but obviously we couldn't keep on showing cowboys forever, although they could be repeated from time to time.

This led to another idea . . . closeup photographs of "regular guys." We shunned slick professional models, so familiar in cigarette advertising, as well as testimonials. Among our own friends and acquaintances, however, we found men who typified what has been referred to as "masculine confidence."

One of the big problems of an advertiser is to set himself apart from his competitors. This led to the tattoo, which was inscribed on the hands and wrists of the "Marlboro men" with indelible ink in a ballpoint pen at the time they were photographed. It seemed to be engaging to the men and women with whom these ads were tested in personal interviews. It seemed also to reinforce the masculine personality of the advertising and the brand.

People told us, "This man looks successful and sophisticated but rugged, and as though he might have had interesting experiences."

The general response among both men and women was, "He is the kind of person you would notice across a crowded room, and I would be interested in meeting him."

Months later, our feeling about the story-telling quality of the tattoo was confirmed when we ran across a remark attributed to Jack London. He is reported as saying, in effect: "Follow any man with a tattoo and you will find a romantic and adventurous past."

Anyway, the public quickly took to the sophisticated, successful-looking but rugged Marlboro Man. More and more people tried the cigarette, found a flavor they had been looking for and became regular smokers of the brand. Marlboro quickly took its place as one of America's leading filter cigarettes.

Although the advertising showed nothing but men, women took to the cigarette, too. Later this led a writer, aptly, though rather ambiguously, to call Marlboro "the cigarette designed for men that women like."

Several months after the introduction, a television writer came up with a song that goes, "You get a lot to like with a Marlboro—filter—flavor—flip-top box." This telegraphed the story and it quickly caught the public's fancy.

The "Tar Derby"

In the summer of 1957 the cigarette business was shaken by what is now referred to as the "Tar Derby."

This warfare as to who has the most effective or "best" filter in terms of tar and nicotine delivery as measured in milligrams, of course, is still continuing.

Various testing methods are employed and, whatever method is finally agreed upon by the Federal Trade Commission, now working on the problem in collaboration with leading tobacco companies, much depends on the habits of the individual smoker . . . how much he smokes, how fast he smokes, etc. It is generally conceded, however, that Philip Morris is a leader in this field of research which it pioneered some 25 years ago. By any known standards of measurement, Marlboro has one of America's most effective filters and increasing millions of well-informed people are accepting it as such.

Marlboro's now famous filter is demonstrated, not with charts, but with what we call the "Filter Flower." This shows the copious amount of cellulose acetate, widely accepted as one of the most effective filtering materials known, in the filter of just one Marlboro cigarette, fluffed out in the shape of a flower. (Milligram data showing the position of Marlboro in relation to other cigarettes, of course, have been widely publicized.)

Naturally this filter has been gradually improved to provide increasingly effective filtration but it is still a filter which, as has been said in the ads, "doesn't get between you and the flavor!"

The whole Marlboro story by Burnett shows how copy angles developed from analysis of the product characteristics. The basic strategy, also, is most instructive. Note how carefully that symbol of American masculinity, the cowboy, was chosen and how the "lingo" of the cowboy was used to heighten feeling tone created by the picture. Later the choice of "regular guys" who suggested a romantic past and present prominence was sustained by the tattoo in the wrist. Both client and agency were worried that the strong masculine image would repel women smokers, but millions of women took to the brand. Apparently, although men will not buy and use an item with a feminine image, women will purchase an object with a masculine connotation.

Burnett knows how the average man thinks and how he would express himself—"Delivers the goods on flavor," "Doesn't get between you and the flavor," "better makins." A good communicator to the mass market does not talk down to people, but he has the knack of putting himself in their places and knowing their motivations, how they think, and how they express themselves (which is usually quite simply). This ability is valuable in selling mass-consumed merchandise.

It is important to plan exactly what kind of image you are going to project and then to project it consistently in everything that is done. Nothing destroys an image so quickly as changing it, or projecting different images via different media at the same time. A personality—human, corporate, or brand—is one's most valuable asset and should be guarded and fostered carefully and consistently.

Chapter 10

Market Evaluation

An important task of the sales and advertising executive is to appraise the market for his company's product or service. Unless he knows how to do this, he will be unable to effectively allocate the time and energies of his salesforce or put his advertising into media most likely to reach good prospects. He cannot know what is best to say, what appeals and sales arguments to employ, unless he knows what kinds of people are the prime prospects for his product. Therefore, market evaluation lies at the heart of planning sales and advertising campaigns. It is useful to creative people; for example, product development executives are aided in designing a salable item if they know about the market for which it is to be patterned.

A market is the people with the means and willingness to buy a given product or service. These people are not uniformly distributed over a designated geographical area. They all do not have the same financial means; some are wealthy, some are poor, some are in between. Even with uniform means, people will purchase a product at a different rate due to individual preferences and willingness to buy. This mosaic of market factors must be put together to provide a view of the market and thereby accomplish effective planning.

What goes into a comprehensive market evaluation?

1. ABILITY TO BUY

A market consists of people with money. People with a need or a desire for a product do not constitute a market. For example, the great masses of India may need automobiles, but India is not a good market for American automobiles because of the low average family income, which currently runs well below $100 per year.

Certain demographic characteristics correlate with means or income. One is education; the better the educational attainment of the head of the family, the higher the family income tends to be. Age is another; the average income of older families (to retirement) is higher than that of younger families. Occupation is an important indicator; professional white-collar families have higher incomes than skilled or semiskilled blue-collar families. All these factors are indicators of the same thing—quality of the market.

Most conventional surveys of a market measure ability to buy—how many people there are, where people are geographically, and what differences there are in quality of the market as measured by occupation, education, age, family size, and other factors.

2. WILLINGNESS TO BUY

Measuring the number of people in his market and their relative abilities to purchase his product does not complete the job of the market analyst. People with identical incomes will spend in different patterns because of peculiarities in taste or in physical living conditions. What lies behind differences in willingness to buy?

A. *Environment*

Differences in physical environment often explain differences in purchasing patterns. The maxim, "You can't sell iceboxes to Eskimos," has an element of truth.[1] Snowshoes do not sell in Florida; the market for bathing suits is poor in Maine during the winter; antifreeze sales are zero in the summer; outboard motors sell poorly in desert areas; vacuum cleaners do not sell at all in rural areas without electric power; and the low wages of domestics in Italy have made hiring help to do household chores cheaper than buying washing machines and other appliances.

Thus, climate, temperature, humidity, altitude, availability of power, and many other physical characteristics of the environment may profoundly affect the sale of various products and services.

B. *Age*

Given the same income level, the teen-age boy will spend his money on sports cars, flashy clothes, soft drinks, movies, nightclubs, and the like. The newly married couple will spend their income on such items as furniture, appliances, baby clothes, and a new home. Middle-aged couples will spend a good deal on their children's college education, a better home and car, insurance, and savings. An old couple will use their income for doctors, hospitals, travel, hobbies, and the like. Each stage in the life cycle brings its own group of demands. Market analysts are now paying attention to these changing living patterns at different stages in life. Relative increases in numbers of families at a given stage in the cycle, e.g., old age, bring changes in demand patterns in the market. Foreknowledge of such changes, via statistical projection, can pay great dividends.

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[1] The story is told of an enterprising refrigerator salesman who did succeed in selling his product to the Eskimos. Food kept outside would freeze solid, while food stored in the refrigerators would not.

C. *Family size*

Large family units are a splendid market for food, clothing, large houses, and other necessities. Small families have more money for the discretionary income items.

D. *Ethnic origin*

Studies have shown that two families—one Negro, the other white—with identical incomes and number of members will have different patterns of expenditure. The Negro family will spend more on food, clothing, and automobiles, but less on housing, health, and savings than its white counterpart. The German and Scandinavian inhabitants of Minnesota and Wisconsin have a rate of coffee consumption above the national average. Rye bread has a high rate of consumption among the Central Europeans in New York City. First generation immigrants from Italy constitute a fine market for spaghetti, tomato paste, olive oil, and wine; their descendents have moved away from the patterns of the old country, and they shape their expenditures after the general American pattern.

E. *Religion*

This can have a strong influence on willingness to buy certain products. People of the Jewish faith constitute a poor market for pork, but a good market for fish. Per capita consumption of coffee is lowest in Utah where the Mormon religion proscribes the product, but Postum sales are far above average in that state. No one can sell members of the Amish faith an automobile or tractor, since their religion forbids the ownership and use of these products; at the same time, they are a prime market for horse harnesses, as they use horsepower for plowing, transportation, and other tasks. They also consume tremendous quantities of ice cream, the one refreshment sanctioned by their church.

F. *Occupation*

Assume two families, each having four persons (mother, father, two children); they have the same income, are of the same religion, and live in the same city. The breadwinner of one is a skilled machine toolmaker; the head of the other is a college professor. Although all other factors are the same, occupation will make a difference in family expenditure patterns. The toolmaker's family will probably spend less on housing but more on an automobile, more on spectator sports but less on the theater, and more on clothing but less on books and education. The respective social groups in which the families find themselves will prescribe quite different patterns of consumption in each case.

G *Education*

This factor is closely related to occupation. Better education creates all kinds of tastes—high fidelity records and stereophonic record players, opera and symphony, travel, advanced education, gourmet foods, modern abstract paintings, unusual hobbies (bird-watching, skin-diving, folk-singing).

H. *Sex*

This element creates obvious differences in consumption patterns. Men do not buy lipstick and bras; women are not purchasers of scotch whisky, cigars, or razor blades. Boys buy baseball bats, but not dolls.

I. *Marital status*

A young single man is a good market for fast cars, candy and flowers, and expensive furnished quarters. After marriage he is in the market for furniture, an unfurnished apartment, and, perhaps, baby clothes, cribs, playpens, and toys.

In conclusion, a market is a combination of people with both the ability and the willingness to buy. In the shorter run the marketing man can do nothing about certain aspects of the market, such as number and distribution of people, size and distribution of the national income, and number of families in each stage of the life cycle. He must know how to measure these aspects so that his marketing resources will be deployed effectively and not wasted on unpromising segments of the market. He sometimes can do something about willingness to buy, but this factor still requires careful appraisal, since changing tastes may provide too great a barrier.

For example, after great time and expense, he might reach the lower education group to appreciate abstract art, but he is probably wiser to recognize the magnitude of the barrier and furnish this market segment with conventional "pretty" pictures. Given sufficient time and money, he might change religious scruples of a minority in regard to his product, e.g., convince the Mormons to drink coffee or liquor, but these efforts would cost more time, energy, and money than the revenues gained. It is just as important to evaluate and adjust to differences in willingness to buy as it is to differences in ability to buy, for environmental and cultural factors are significant.

A demographic study of an urban market, Philadelphia, which was done in 1961 for an important manufacturing firm, provides a tangible illustration of how a market is appraised and of the ingredients that make up the market.[2]

The reader should note how one goes about organizing the available data and observe how the facts are interpreted. He should notice how estimates of future trends discernible for different market ingredients are woven into the discussion. A good market survey looks to the future and informs the reader of things to come, since foresight aids in formulating marketing plans.

A unique feature of the Philadelphia demographic survey was the development of expenditure data for the typical Philadelphia family. An index was made of both disposable and discretionary income expenditures to reveal tastes and interests of the Delaware Valley inhabitants on the theory that families spend their incomes according to their tastes and interests once the great necessities of life—food, clothing, and shelter—have been satisfied.

A marketing man using this demographic study would need further information on willingness to buy his particular product. For example, Philadelphia, compared with other great urban centers, is not a good market for automobiles, but it is above average in per capita beer consumption. Yet certain car manufacturers report it as a fine market for their particular brands; and certain beer manufacturers have found it a poor market for their brews. Peculiarities in taste are undoubtedly behind these unexpected results. In general, however, this survey provides adequate basic data for a comprehensive market evaluation.

DEMOGRAPHIC STUDY OF DELAWARE VALLEY

The objective of this study is to afford a current picture, painted in broad strokes, of the salient characteristics of the people of Delaware Valley. How many of them are there? How are they divided by age, occupation, income, ethnic groupings, and the like? How well are they educated? Do they tend to be home owners or renters? Are they religious, and if so what are the predominent religious preferences? Are they relatively affluent, and finally, what are their tastes and interests?

Only through the careful study of such characteristics can we get a good idea of what the typical Delaware Valley family is like. We want to know not only the quantitive facts but the qualitative data as well. Peoples' taste and interests vary if they are old or young, poor or affluent, meagerly educated or well-educated, of one ethnic origin or another, and professional, managerial, semiskilled, or unskilled in occupational category. By the study of such factors we can begin to demarcate and delimit the major characteristics of the inhabitants of Greater Philadelphia.

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[2] *A Study of Various Parameters Affecting Television Broadcasting*, Vol. I, Demographic Study, 26 pp.; Vol. II, Statistical Appendix, 35 Tables, 2 Charts (Philadelphia: Institute for Cooperative Research, 1961). William T. Kelley, project director, Carl A. Lawrence, assistant director, William A. Long, research assistant. Reproduced by permission.

We are also interested in the shape of things to come. Therefore, an attempt will be made to forecast the direction in which our City planners feel the Area is going within the next twenty years, and what qualitative changes seem to be in store for Delaware Valley. Such information will be worked into the current data where appropriate.

Size of Population and Its Distribution

The final population count, just released by the Bureau of the Census,[3] reveals that the total population of the eight-county Metropolitan Area was 4,342,987 in 1960. Another source estimated that there are 1,261,000 households.[4] Since the total population of the same area in 1950 was 3,671,048, it is seen that Greater Philadelphia has enjoyed a substantial growth during the past decade. All of this growth, however, took place in the suburbs; the City of Philadelphia had 2,071,605 people in 1950, and 2,002,512 in 1960, a slight drop.

TABLE 10.1

POPULATION CHARACTERISTICS BY COUNTY

County	*Number**	*Per cent*	*Households†* (000)	*Per cent*
Philadelphia	2,002,512	46.11	594.04	49.13
Bucks	308,567	7.11	95.79	7.92
Chester	210,608	4.85	53.78	4.45
Delaware	553,154	12.74	143.69	11.88
Montgomery	516,682	11.89	139.39	11.53
Burlington	224,499	5.17	45.29	3.75
Camden	392,035	9.03	102.85	8.51
Gloucester	134,840	3.10	34.21	2.83
Total	4,342,897	100.0	1,209.04	100.0

* Bureau of the Census, *Final Report, 1960 Census* (Washington, D.C., January 4, 1961).
† Estimate from Standard Rate and Data Service as of July 1, 1959.

The City Planning Commission foresees no serious reversal of this trend for the next two decades. The Commission expects our Metropolitan Area to grow to 5,082,000 by 1970 and to 5,963,000 or about six million people by 1980.[5] Of the six million by 1980, it forecasts a City population of only 2,250,000, about 8 per cent more than 1960, and expects a further 75 per cent growth in the suburbs by 1980. The Comprehensive Plan points out that 2.25 million is a desirable level, for above this the population density in the City would rise above levels in which attractive surroundings could maintain and attract that higher socio-economic proportion so necessary to the continued health of the City proper.[6]

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[3] Bureau of the Census, U.S. Department of Commerce, *Advance Reports, Final Population Counts, 1960* (Washington, D.C.).

[4] *1960 Circulation Book,* Evening Bulletin. Estimated from 1950 Census, modified by reports from Federal, state, and local planning commissions.

[5] City Planning Commission, *Comprehensive Plan.* The Physical Development Plan for the City of Philadelphia (Philadelphia, Pa., 1960), pp. 86-91.

As is shown in Table 10.1, Philadelphia County contains the greatest number of people (about two million).[7] Delaware County and Montgomery County at over one-half million each, account for about one-quarter of the population. Camden County at nearly 400,000 is next, followed by two very fast growing counties, Bucks and Burlington, then Chester and Gloucester.

Composition of Families, Age, and Sex

Table 10.2 shows the family composition of Delaware Valley. It will be noted that about one-third of our families are one or two person families. If these are removed from the statistics, it can be seen that people who are having children are having more than two of them, reflecting the average increase in family size since 1940.

Reports of future family composition expect that a bimodal distribution will take place: during the next twenty years there will be still more one and two person households because grown children now tend to set up their own homes, even if not married, rather than live with their parents, and the increased num-

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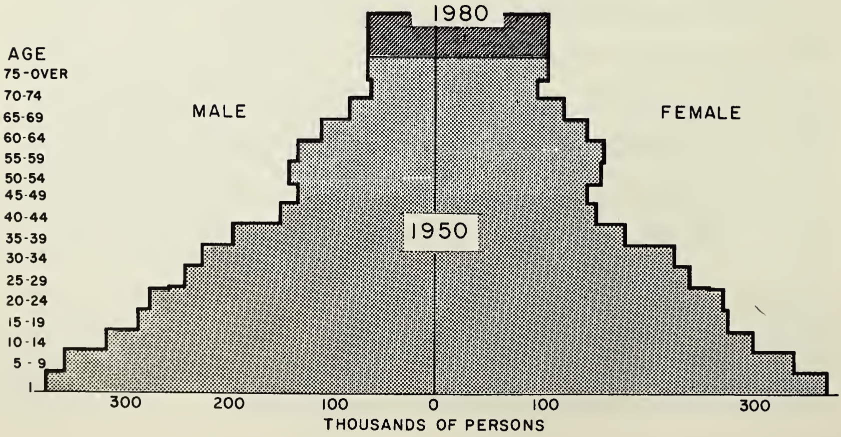
[6] *Ibid.* A City population of 2.75 million could be absorbed, but at the cost of overcrowding and driving people with higher incomes into the suburbs at an even faster rate.

[7] The City's share of the total population increased steadily from 58.6 per cent in 1850 to 68.4 per cent in 1900, remained fairly constant to 1920 and then declined to 56.4 per cent by 1950 and 46.3 per cent by 1960. It is expected to fall to 37.5 per cent by 1980.

Figure 10.1. *Population, by age group and sex, in the Philadelphia standard metropolitan area. Figures for 1980 are estimated.* (Philadelphia City Planning Commission)



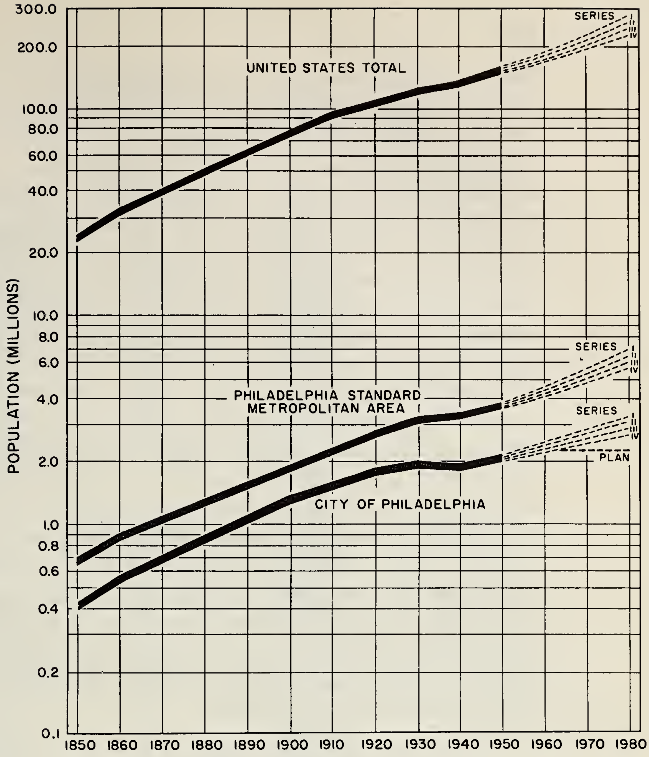


Figure 10.2. *Population growth rates in the United States, the Philadelphia standard metropolitan area, and the city of Philadelphia projected to 1980.* (Philadelphia City Planning Commission)

bers of old people surviving will swell the small family proportions. At the same time, assuming continued prosperity, married couples will continue to have large families, thus swelling the statistics at the large-family extreme.

Table 10.3 gives the age and sex breakdown for 1960. Present day Philadelphia has a surplus of about 600,000 females over males. In every age group, there are more females than males, but it is surprising what a great difference

Table 10.2

Composition of Families in the Philadelphia Metropolitan Area

Number of persons in family	*Number of families*	*Per cent of total*
One person	89,000	7
Two	313,000	26
Three	267,000	22
Four	275,000	23
Five	155,000	13
Six	65,000	5
Seven	26,000	2
Eight	11,000	1
Nine or more	5,000	1
Not known	4,000	—

Source: "Member of the Family Fact Book," *Evening Bulletin,* 1958.

there is between the ages of 18 and 24, when there are about twice as many women as men. The spread also widens after 45, reflecting the superior longevity of women compared with men.

Figure 10.2 demonstrates the population hollow occasioned by the low birth rate during the Depression, 1930-40. In 1950, it appeared in the teen-age group. By 1960, this hollow had moved up to the young married group, 20 to 34, and by 1970 it will be in the 30 to 44 group and by 1980 in the 40 to 54 group. In the 1960-70 decade we shall see a poor time for new housing, furniture, wedding dresses, and baby equipment. But in the 1970-80 decade, the full effect of the postwar "baby crop" should be felt, reviving the demand for young-married/infant goods and services.

Figure 10.2 also illustrates that in the 1960-80 period the actively employed or productive group will shrink relatively, but the nonproductive groups at either end will expand greatly—children and old people. Then we can expect more leisure hours generally on the hands of the Delaware Valley inhabitants, but, due to the pressure for more production workers and the continuation of wives working to supplement family income,[8] one foresees great opportunities to cater to these newly expanded groups in the population. Communicators already know the importance of the child market. Few realize the rapidity with which our population is aging. For example, by 1980 there will be over one-half million people 65 or over in our Metropolitan Area. These people will constitute a great opportunity for those who can develop skills in catering to more mature tastes and interests.

Socio-Economic Status

Two important measures of socio-economic status are a family's economic level and occupational category. In 1958 the typical Delaware Valley family had an income of $6,953.[9] There were substantial variations within the Area. Gloucester County's typical family had an income of only $6,149; it was $8,169 in Montgomery County, while the City of Philadelphia family's income was $6,592.

The socio-economic level was much higher in Delaware Valley than it was for the whole of the United States, as is demonstrated in Table 10.4 Only 13.5 per cent of Philadelphia Area families had incomes under $2,500 per year compared with 21.3 per cent for the United States, 16.3 per cent had incomes within the $2,500-$3,999 range, compared with 19.5 per cent for the United States. Sixteen and a half per cent of Delaware Valley families fell within the middle-class comfortable $4,999-$9,999 range, and 9.7 per cent were in the affluent upper-class $10,000 and over category.

Within the next twenty years it is predicted that a further upgrading of family incomes will take place. It is probable, however, that a further disparity between Philadelphia County and the suburbs will be apparent unless something happens to reverse the trend (such as extensive redevelopment of the City). A big outward migration of upper socio-economic families took place

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[8] At present, about one out of five married women is gainfully employed.

[9] See Table 10.4.

TABLE 10.3

AGE AND SEX BREAKDOWN OF EIGHT-COUNTY AREA 1960

Age groups	*Males*	*Per cent of total males*	*Females*	*Per cent of total females*
0- 4	258,000	13	293,000	12
5- 9	233,000	12	252,000	10
10-12	123,000	6	138,000	5
13-17	134,000	7	163,000	6
18-19	25,000	1	46,000	2
20-24	74,000	4	139,000	5
25-34	309,000	16	447,000	18
35-44	331,000	17	441,000	17
45-64	330,000	17	471,000	18
65 and over	129,000	7	174,000	7
Total	1,946,000		2,564,000	

Age groups	*Total*	*Per cent of total*	*Total U.S.* (000)	*Per cent of total*
0- 4	551,000	12	21,019	11.6
5- 9	485,000	11	19,159	10.6
10-12	261,000	5	30,623	16.9
13-17	297,000	6		
18-19	71,000	2		
20-24	213,000	5	11,311	6.2
25-34	756,000	17	22,824	12.6
35-44	772,000	17	23,983	13.2
45-64	801,000	18	36,456	20.1
65 and over	303,000	7	15,779	8.8
Total	4,510,000		181,154	

Source: Bureau of the Census P-25, No. 187 (Washington, D.C., 1958).

between 1940 and 1960; these were replaced by an inward migration from the South and elsewhere of low socio-economic families. This, in turn, tended to widen the gap between the average income of City and suburban families.

The City Planning Commission, however, is predicting a reduction in the influx of people into the City during 1960–80.[10] It foresees a reduction in the number of Southern Negroes in the migratory age group, the saturation of the market for unskilled labor in Philadelphia, and a shift in the general direction of migration to cities of the West Coast. Thus, the disparity may not be so great in the next twenty years as it was in the last twenty. This will be especially true if older couples, and those of middle age are attracted back to the center city because of the extensive redevelopment program projected by the City Planning Commission.

Table 10.5 gives the latest available eight-county employment figures (late 1959), and the distribution of our families by kind of occupation, the second measure of socio-economic status. As of late 1959 over a million and a half people were gainfully employed in the Greater Metropolitan Area. Of these about two out of three were male and one out of three were female. The fact that about one-third of our gainfully employed people are female may be somewhat surprising at first glance. On a national basis *Fortune* shows that four-fifths of

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[10] *Comprehensive Plan,* p. 102.

TABLE 10.4

BUYING INCOME OF HOUSEHOLDS IN GREATER PHILADELPHIA AREA 1958

			Per cent of households by income groups				
County	*Households*	*Income/ Household*	*Under 2500*	*2500-3999*	*4000-6999*	*7000-9999*	*10,000 and over*
Bucks	85,400	$6,389	14.4	17.7	43.8	15.7	8.4
Chester	52,300	7,060	13.2	18.0	43.1	15.8	9.9
Delaware	154,200	7,856	10.4	11.6	42.1	21.9	14.0
Montgomery	133,400	8,169	10.5	13.6	41.2	18.6	16.1
Philadelphia	645,900	6,592	14.4	17.6	43.8	16.2	8.0
Burlington	47,600	7,557	16.2	15.6	44.3	15.5	8.4
Camden	106,400	6,717	12.5	16.5	44.9	17.7	8.4
Gloucester	35,900	6,149	18.4	17.3	42.5	14.9	6.9
Total Area	1,261,100	6,953	13.5	16.3	43.3	17.2	9.7
U.S.	51,217,200	6,005	21.3	19.5	38.2	13.7	7.3

Source: Sales Management, Survey of Buying Power, Copyright 1959. Further reproduction is forbidden.

TABLE 10.5

HEAD OF FAMILY—NUMBERS IN EACH TYPE OF JOB

	Families	*Per cent*
Professional and technical	138,000	11
Managers, officials, and proprietors	103,000	9
Clerical workers	129,000	11
Sales workers	118,000	10
Craftsmen, foremen, etc.	261,000	22
Operators	214,000	18
Household workers	13,000	1
Service workers	40,000	3
Unemployed	29,000	2
Retired	77,000	6

Source: U.S. Bureau of the Census.

EIGHT COUNTY TOTAL EMPLOYMENT

	Both sexes	*Per cent*	*Male*	*Per cent*	*Female*	*Per cent*
Total employment	1,687,600	100	1,140,100	67.56	547,500	32.44
Number of white-collar	625,000	100	351,200	56.19	273,800	43.81

Source: Pennsylvania State Unemployment Service, Philadelphia.

the gain in the United States civilian work force since 1950 was accounted for by women. During this same period the increase in women workers has been four times the increase in women keeping house. Today, eight million married women over 35 form the largest group in the 23 million female working force, about 39 per cent of the total. By the early 1970's *Fortune* estimates that nearly one-half of all wives 45-54 will be employed.[11]

Since there were about 40 million families in 1959 this means that approximately 20 per cent of the married women must have been gainfully employed. Although specific statistics on this question are lacking for the Greater Philadelphia Metropolitan Area, there is no reason to believe that the national situation is not reflected in this area. This percentage, however, is probably on the conservative side. An earlier study made by *Fortune*[12] estimated that for families in the up to $15,000 a year categories, two-thirds of the families had supplemental workers; above $15,000 per annum, about two-fifths of the families had supplemental workers. Of course the term supplemental workers includes persons other than the wife—working children, relatives, and parents, but this study does indicate that a considerably larger proportion of families have a wife who is gainfully employed than one might expect. As noted in the section below, on ethnic characteristics, it is probable that somewhat more than 50 per cent of the wives among the nonwhite families are gainfully employed.

Table 10.5 shows also that 20 per cent of Delaware Valley families are in the top occupational categories—professional, technical, managers, officials, and owners. Another 20 per cent are mainly white-collar too—clerical and sales workers; 40 per cent might be termed factory workers, craftsmen, foremen, and operators. Eight per cent are service or household workers, while only 3 per cent are laborers. Thus only about 51 per cent are clearly in the "blue-collar" class, while the rest are in the "white-collar" categories. This would indicate an upgrading in tastes and interests, a departure from purely lower class or borax furniture kinds of preferences in favor of the betterment of tastes and widening of interests that improved socio-economic status inevitably bring.

The City Planning Commission predicts a rise of personal income in the Area of 108.9 per cent by 1980,[13] which would give the typical family more than $12,000 per annum at the present level of prices. With this kind of affluence on the horizon, one can predict an even more rapid upgrading of taste and interest in the next twenty years than occurred from 1940 to 1960.

Table 10.6 gives additional indicators of the relatively higher income status of the Delaware Valley families. Home ownership is very high; more than three-quarters of our families own their homes. This ensures stability. Seventy per cent own one or more cars, and one-half of the families have a charge account with a department store. As might be expected, the higher-income families tend to have most of the charge accounts. Table 10.7 also shows a high saturation for most kinds of home appliances.

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[11] Editors of *Fortune, The Markets of the Sixties* (New York: Harper & Row, Publishers, 1960), p. 8.

[12] "Rich Middle-Income Class," *Fortune,* May 1954.

[13] *Comprehensive Plan,* p. 119.

Education

There were approximately 42,700,000 students enrolled in the public and private schools (elementary and high schools) in the United States in 1960. Table 10.8 shows that there were 908,481 students enrolled in the public and private schools of the eight-county Metropolitan Area in mid-1959, which is about 2.13 per cent of total United States enrollment. Table 10.9 gives school enrollment for the Philadelphia Public School System as of mid-1960, broken down by total and Negro enrollment. It shows that 54.3 per cent of the nearly 138,000 grade school students were Negro as were 40.4 per cent of the 5,378 vocational and technical school pupils, 43.5 per cent of the junior high enrollment, and 30.5 per cent of the senior high school enrollment. Out of a grand total of 229,303 students, 109,167, or 47.6 per cent were Negro.

In addition to the public school enrollment, there were 276,699 students enrolled in Catholic schools; 145,225 of these were in the city, and 131,474 were in the Greater Metropolitan Area, excluding the City of Philadelphia (Table 10.10).

In addition to the enrollments given above, private schools other than parochial schools had an enrollment of 15,358. There were also almost 42,000 adults registered in extension schools and 54,000 students enrolled in local colleges and universities (Table 10.11).

TABLE 10.6

FAMILIES OWNING HOMES IN EIGHT-COUNTY AREA

Total number of families	1,210,000
Number of home owners	935,000
Per cent of families owning homes	77

FAMILY AUTOMOBILE OWNERSHIP

	Number of families	*Per cent of families*
One car	753,000	62
Two cars	84,000	7
Three cars	8,000	1
No car	357,000	29
—	8,000	1
Total families	1,210,000	100
Total owning cars	845,000	70

	Number	*Per cent*
Families with charge accounts	601,000	50
Families without charge accounts	609,000	50
Total families	1,210,000	100

Source: "Member of the Family Fact Book," *Evening Bulletin,* 1958.

Table 10.7

Family Ownership of Appliances
1957

Appliances	*Number*	*Per cent*
Room air conditioners	136,000	11
Automatic clothes dryers	169,000	14
Automatic clothes washers	681,000	56
Wringer-type washers	275,000	23
Automatic dish washers	35,900	3
Electric ranges	233,000	19
Gas ranges	911,000	75
Home freezers	93,000	8
Mechanical refrigerators	1,155,000	96
Television sets	1,104,000	91
Total families	1,210,000	100

Charge Account Families by Income Groups

Income group	*Number*	*Per cent*
$ 0- 1,999	12,000	2
2,000- 2,999	27,000	4
3,000- 3,999	53,000	9
4,000- 4,999	124,000	21
Under 5,000	216,000	36
5,000- 6,999	206,000	34
7,000- 9,999	112,000	19
10,000-14,999	43,000	7
15,000 and over	19,000	3
5,000 and over	380,000	63
—	5,000	1
Total families with charge accounts	601,000	100

Source: "Member of the Family Fact Book," *Evening Bulletin*, 1958.

Table 10.8

Public School Enrollment by County
Academic Year 1958-59

County	*Number of student*
Bucks	53,953
Chester	37,155
Delaware	75,583
Montgomery	79,307
Philadelphia	255,336
Burlington	36,449
Camden	66,019
Gloucester	27,980
Total Public Schools	631,782
Catholic schools—all counties	276,699
Grand total	908,481

Source: Sales Management, Survey of Buying Power, Copyright 1959. Further reproduction is forbidden.

TABLE 10.9

SCHOOL ENROLLMENT—PHILADELPHIA PUBLIC SCHOOL SYSTEM
PUPILS ON ROLLS, JUNE 30, 1960*

	Total enrollment figures			*Negro enrollment*			
	Boys	*Girls*	*Total*	*Boys*	*Girls*	*Total*	*Per cent*
Grade school	63,874	61,369	125,243	31,834	31,501	63,335	50.6
Kindergarten	1,565	1,626	3,191	2,517	2,597	5,114	
Special class	6,096	3,172	9,268	4,215	2,070	6,285	
Total	71,535	66,167	137,702	38,566	36,168	74,734	54.3
Vocational and technical schools	3,098	2,280	5,378	1,093	1,081	2,174	40.4
Junior high schools	23,027	22,984	46,011	9,686	10,319	20,005	43.5
Senior high schools	20,045	20,167	40,212	5,698	6,556	12,254	30.5
Totals	117,705	111,598	229,303	55,043	54,124	109,167	47.6

* Those on roll June 30, 1959 plus those admitted during school year 1960 minus those graduated or dismissed during the academic year.
Source: Philadelphia Public School System.

TABLE 10.10

ENROLLMENT IN ARCHDIOCESAN AND PAROCHIAL SCHOOLS

Enrollment in Philadelphia	145,225
Enrollment outside Philadelphia	131,474
High school (Philadelphia)	31,389
Elementary parochial schools (Philadelphia)	113,255
High school outside Philadelphia	21,802
Elementary school outside Philadelphia	109,587

Source: The Catholic Directory 1960-61.

TABLE 10.11

SCHOOL ENROLLMENT—PHILADELPHIA
FALL 1959-60

Type of school	*Number of schools*	*Enrollment*
Public schools:		
Senior high	19	40,212
Vocational technical	3	5,378
Junior high	30	46,011
Elementary (grades 1-8)		137,702
Special classes (including home-school)		9,267
Adult extension schools		41,978
Recreation program		3,345
Day classes in English and citizenship		1,658
Adult discussion groups		1,509
Parochial schools:		
High	13	31,389
Elementary		113,255
*Colleges, universities, and professional schools**	17	54,005
Full-time		28,451
Part-time		25,546
Private schools		15,358

* Refers to 1958-59.
Source: School District of Philadelphia, *Bulletin Almanac* (Philadelphia: *Evening Bulletin*), 1961, p. 354.

The statistics just cited show conclusively that the people of the Delaware Valley are engaged in very extensive efforts to educate the younger generation. The Philadelphia Area has long been a center of education and learning. The results of such massive public school and college enrollments over the past several decades have been to raise the average educational level of our populace. Of course, the same thing has been going on in the country as a whole. Only 26 per cent of the population over fifteen years of age in 1940 were high school graduates, and only 4.5 per cent were college graduates. In 1950 these figures were respectively 35 per cent and 6 per cent, and by 1960 41.7 per cent of our adult population were high school graduates, 7.3 per cent were college graduates, and 15.8 per cent had enjoyed some college education.

Turning now to Table 10.12, which gives the higest educational level attained by the male head of family and their wives in a fourteen-county area,[14] we see the effect of the aforementioned large school enrollments on our educational levels in Delaware Valley. Whereas a generation ago the typical adult was equipped with no better than an eighth-grade education, today only about 29 per cent of both males and females have no more than a public school education. An additional 48.7 per cent of the men and 56.3 per cent of the women have attained a high school level and 17.1 per cent of the men and 13 per cent

TABLE 10.12

EDUCATION OF THE MALE HEADS OF FAMILIES AND THEIR WIVES*

Last Grade of school completed		*Male*	*Per cent*	*Female*	*Per cent*
Total		1,457,000		1,457,000	
Total with male		1,277,000	100.0	1,421,000	100.0
or female head			99.1	1,412,000	99.4
Some school completed					
1 to 5 years	60,000		4.6	70,000	5.0
6 years	57,000		4.5	54,000	3.8
7 to 8 years	250,000		19.6	283,000	19.9
9 years	79,000		6.2	88,000	6.2
10 to 11 years	182,000		14.3	208,000	14.6
12 years	360,000		28.2	504,000	35.5
College (1 to 3 years)	108,000		8.5	110,000	7.7
College (4 years)	110,000		8.6	76,000	5.3
More than 4 years of college	59,000		4.6	19,000	1.4
Total		1,265,000			
No school years		12,000	0.9	7,000	0.6
No male or female head		180,000	—	36,000	—
Base†		2,985		2,989	

* Table refers to fourteen-county area.
† Base is number of families upon which survey is based.
Source: Alderson & Associates Survey, 1957.

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[14] These figures are believed to be representative of the eight-county area which makes up the major proportion of the Audit Bureau of Circulation Fourteen-County Greater Philadelphia Area.

of the women have attained college level. In fact, 8.6 per cent of the males and 5.3 per cent of the females are college graduates. Thus we note that a typical Delaware Valley family head and his spouse have had a full high school education. In addition a good number of both sexes have had some college training.

By 1980 it is very probable that the typical family head will have attained junior college status, at least. Such a rise in the average educational levels cannot but have important effects on tastes and interests. We shall be dealing with a more sophisticated person, one able to deal better with abstractions and to understand more difficult levels of communication. Education expands horizons. An increase of interest in hobbies, reading and other communication, music, art, and the finer things of life will certainly come about within the next twenty years.

Ethnic Consist

At the present time, 84 per cent of the Greater Metropolitan Area's population is white, and 16 per cent is nonwhite.[15] Population experts do not expect this proportion to change significantly the next two decades in the area as a whole. The nonwhite population was 13 per cent of the total in 1950 and it is estimated that it will be approximately 19 per cent by 1980.[16]

The situation is quite different, however, in the City of Philadelphia, where 78 per cent of the nonwhite families in the Greater Metropolitan Area dwell. Table 10.13, which is an incomplete enumeration of nonwhite occupied dwellings, as it omits the countries of Bucks, Burlington, and Gloucester, demonstrates conclusively that the bulk of the nonwhite population is located in Philadelphia proper.

Within the City of Philadelphia, it was estimated that there were 107,066 Negro families by the end of 1957, the latest figures available. This represents a total Negro population of 446,110, consisting of 52.4 per cent female and 47.6 per cent male. It will be noted from these figures that the average size of family is about 4.5, which is a considerably higher average than obtained for white families.

Table 10.14 shows that 47 per cent of the total Negro population are in the labor force, which is an unusually high percentage for any group. This is because of the fact that a high proportion of the wives and teen-age children are employed. Table 10.14 also shows that even though there has been a substantial upgrading in Negro occupations, well over half of all employed Negroes are in unskilled or semiskilled categories.[17] Even so, only 4.8 per cent are in the professional, technical, owner, and proprietor categories compared with 20 per cent of all Philadelphia families in the same categories.

Even though educational levels of Delaware Valley inhabitants are discussed in another section of this study, it may be well to consider this question since it applies to our Negro inhabitants at this point. As is shown in Table 10.15,

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[15] "Advertiser's Guide to Marketing for 1961," *Printers' Ink,* September 9, 1960.

[16] *Comprehensive Plan,* p. 102.

[17] Between 1940 and 1960, in industry alone, the number of skilled Negro workers increased nearly 400 per cent.

TABLE 10.13

NONWHITE OCCUPIED DWELLING UNITS FIVE COUNTRIES

County	*Dwelling Units*
Philadelphia	100,685
Delaware	6,730
Chester	3,089
Montgomery	2,593
Camden	4,156

Source: ABC report—*Philadelphia Tribune,* Philadelphia for 18 months ending September 30, 1960—based on 1950 Census adjusted.

TABLE 10.14

OCCUPATION OF NONWHITES

Type of employment	*Percentage*	*Number of persons*
Professional, technical and kindred workers	3.6	7,645
Managers, officers and proprietors	1.2	2,591
Clerical, sales and kindred workers	6.0	12,529
Craftsmen, foremen	5.6	11,891
Operators, factory workers, etc.	20.5	43,531
Domestic workers	14.3	30,366
Farm laborers	1.0	2,035
Laborers—except farm and mine	15.0	31,852
Occupation not specifically reported	19.4	41,453
Total	100.0	212,348

the typical nonwhite Philadelphian had had about an eighth grade education. This contrasts with the high school education level attained by the typical white Philadelphian. It will be further noted that only a relatively small proportion of either male or female nonwhite adults has completed high school, and even a smaller proportion has been to college. Thus we may draw the conclusion that the average level of educational attainment of the nonwhite population of Philadelphia is considerably below that of the white population.

An indicator of family stability is the rate of home ownership. It is interesting to note that, as of 1956, an estimated 40,660 families, 38 per cent of total Negro families in Philadelphia owned their own homes. This contrasts with more than three-quarters of white Delaware Valley families who can own their own homes.

Even if discrimination in housing were removed completely, it is probable that most nonwhites would continue to live in the city proper because of their low incomes. Negro birth rates are higher, a greater proportion of Negro women are within the childbearing age, and in-migration will all settle in the city. Accordingly demographers are predicting a further increase in the city nonwhite population, both in absolute figures and as a percentage of the whole. Presently 24 per cent of the total, the Negro population of the City will expand to 915,000 or 40 per cent of the population by 1980.[18] If you assume an even greater out-migration of the whites from the city, the proportion of Negroes could rise to 45 per cent by 1980.

If further upgrading of skills and incomes of the Negro families is extrapolated, a large number of nonwhites will achieve middle- to upper-income status in the future. These will be especially disposed toward change, advance-

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[18] *Comprehensive Plan,* p. 103.

TABLE 10.15

EDUCATION LEVELS OF NONWHITES

Number of school years completed	*Male*	*Female*
Elementary school		
1 to 4 years	22,500	20,395
5 to 7 years	35,625	38,800
8 years	18,740	22,070
High school		
1 to 3 years	23,270	30,715
4 years	12,950	17,345
College		
1 to 3 years	3,300	3,330
4 years	2,470	2,740
School years not reported	6,970	5,745
No school years	4,060	3,510
Grand total—274,535	129,885	144,650

Source: Philadelphia Public School System.

TABLE 10.16

RELIGIOUS CHARACTERISTICS—UNITED STATES

Denomination	*Number of churches**	*Number of church members†*	*Per cent of population that are members‡*
Protestant	166,689	39,310,840	26.1
Roman Catholic	15,728	29,688,058	19.7
Eastern and Old Catholic	439	14,540	—
Jewish	—	5,112,024	3.4
All faiths	182,856	74,125,462	49.2

* 112 religious groups reporting
† 108 religious groups reporting
‡ Per cents based on 1950 population of 150,697,361
Source: National Council of Churches of Christ, Bureau of Research, Survey 1957. Figures derived from 1953 sources.

ment and improvement in housing, education, employment, and civic life. As their horizons widen their tastes and interests will expand very rapidly indeed. They will be avid for the better things of life and should raise their cultural standards rapidly.[19]

Within the next twenty years Philadelphia institutions must play their respective parts in fulfilling the demands occasioned by our nonwhite population. Broadcasting must take the lead in giving the new upper-income Negroes what their expanded interests and improved standards of taste require. There is also a very real challenge to fulfill the needs peculiar to the lower-income Negro as well. Special study of these requirements will be necessary if they are to be reached and helped to improve their cultural standards effectively.

Religion

Although the typical Delaware Valley family spends about 5 per cent of its discretionary income to support religion, this is not the only measure of its interest in its spiritual welfare.

As is shown by Table 10.16, which covers the entire country, the National Council of Churches of Christ estimates that 49.2 per cent of the American people are members of a church or synagogue. In contrast to this, the same source (hereafter designated as the National Council) estimates that about 56 per cent of the people of Delaware Valley are denominationally affiliated, i.e., are church members. This reflects a considerably enhanced interest in religion in the Greater Philadelphia Metropolitan Area compared with the American average.

In addition to those actually belonging to a church, most of the remainder declare some denominational background and will attend church to some extent.[20]

Of the denominationally affiliated people of Delaware Valley, one-third attend regularly (26 to 52 Sundays per year); one-third attend fairly regularly (six to 25 Sundays per year); and one-third attend infrequently (one to five Sundays per year).[21] The regular attenders are the church supporters from whom the organizations draw the greater part of their revenue and volunteer services.

If we add the "regular" and "fairly regular" church-attenders, we find that approximately 40 per cent of Delaware Valley families are frequent churchgoers, and may be presumed to have a substantial interest in religion. Of course, to this number must be added the infrequent attenders who have some interest in religion (20 per cent or more), and the 40 per cent nonaffiliated who may attend church to some extent, and some of whom may have a very real interest in religious matters despite the absence of formal church affiliations.

There is a paucity of information regarding church attendance by age and sex. It is believed by authoritative sources that more women attend and belong to churches than men. One survey was done by the National Council covering church attendance by age in the Bustleton area (Table 10.17). It is believed to be representative of over-all Delaware Valley Church attendance patterns.

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[19] See Isaac S. Goldman, *The Northern Urban Negro: A Unique Set of Consumption Motivations:* (Philadelphia: University of Pennsylvania Press, 1956).

[20] Interview with Mr. John Holko, National Council of Churches of Christ, January 10, 1961. Mr. Holko said that in any census of religion 99 per cent of the people declare some denominational background or preference.

[21] *Ibid.*

Table 10.17 shows that very young children do not attend church. However. those from five to 14 years of age attend quite regularly, presumably going to Sunday School. Attendance drops precipitously during the teens, (15 to 19) then picks up during the young married years and peaks in the 35 to 49 age group. Church authorities attribute this to families having children in Sunday School or other church activities, and therefore attending church for this reason. Attendance drops during the 50 to 64 year age when people either have teen-agers or children who have left home. It picks up again proportionately after 65 years of age.

Thus, from these figures, we conclude that those most interested in religion are children, young married to early middle-aged people, and old people. Those least interested are very young people, teen-agers, and people in their middle age.

The interest of Delaware Valley inhabitants in the different denominations by sect of religions is shown in Table 10.18. National denominational interests are given for comparative purposes by Table 10.19.

There are roughly 2,200 churches in Delaware Valley, and 2,041,545 church members (55.6 per cent of the total population). Of the total population, 18.8 per cent is Protestant, 29.7 per cent Catholic, and 7.1 per cent Jewish. The average Catholic church in Delaware Valley has 3,599 members while the size of the average Protestant congregation is 352 (one-tenth of the Catholic average). Figures on the number of Jewish synagogues are lacking.

TABLE 10.17

CHURCH ATTENDANCE SUMMARY—BY NUMBER OF SUNDAYS, BY AGE

Number of Sundays	*Age 0-4*	*5-14*	*15-19*	*20-34*	*35-49*	*50-64*	*65+*	*N.R.**	*Total*	*Per cent attending*
0	40	338	5	24	40	17	5	14	183	13.9
1-10	4	15	9	15	25	9	4	9	90	6.8
11-20	1	2	3	4	10	4	1	3	28	2.1
21-30	4	13	6	31	23	17	—	9	103	7.8
31-40	—	4	3	8	19	17	4	21	76	5.8
41+	61	171	57	141	163	64	19	161	837	63.5

* Not reporting.
Source: National Council of Churches of Christ.

If the size of the principal denominational sects is studied against the universe of total church membership, more than one-half are Catholic, one-third Protestant, and 13 per cent are Jewish.

The areas of greatest Protestant sect concentration are in Bucks, Chester, Gloucester, Montgomery, and Burlington counties, where Protestants account for more than 50 per cent of church membership in each county. The great areas of Catholic concentration (over 50 per cent) are Delaware, Philadelphia,

TABLE 10.18

DENOMINATIONAL CHARACTERISTICS OF THE EIGHT COUNTY METROPOLITAN AREA

County	1950 Population	No. of Churches and Church members All Faiths Churches	All Faiths Members	Protestant Churches	Protestant Members	Roman Catholic Churches	Roman Catholic Members	Jewish Members
Burlington	135,910	129	53,599	113	28,774	16	24,201	624
Camden	300,743	213	151,925	186	56,956	27	85,069	9,900
Gloucester	91,727	115	36,415	103	22,157	12	13,723	535
Bucks	144,620	179	75,126	161	47,663	18	27,287	176
Chester	159,141	216	79,334	197	49,497	18	28,567	1,270
Delaware	414,234	248	228,466	203	91,071	44	135,295	2,100
Montgomery	353,068	329	209,637	291	121,413	38	86,744	1,480
Philadelphia	2,071,605	794	1,207,043	649	271,441	140	689,695	245,200
Total	3,671,048	2,213	2,041,545	1,903	688,972	313	1,090,581	261,285

County	Per cent of total reported members Protestant	Per cent of total reported members Roman Catholic	Per cent of total reported members Jewish	Membership as a per cent of population All Faiths	Membership as a per cent of population Protestant	Membership as a per cent of population Roman Catholic	Membership as a per cent of population Jewish	Average membership Protestant	Average membership Roman Catholic
Burlington	53.7	45.2	1.1	39.4	21.2	17.8	0.4	255	1,512
Camden	37.5	56.0	6.5	50.5	18.9	28.3	3.3	306	3,150
Gloucester	60.8	37.7	1.5	39.7	24.2	15.0	0.5	215	1,143
Bucks	63.4	36.3	0.2	51.9	33.0	18.8	0.1	296	1,515
Chester	62.4	36.0	1.6	49.9	31.1	18.0	0.8	251	1,587
Delaware	39.9	59.2	0.9	55.2	22.0	32.7	0.5	449	3,074
Montgomery	55.3	41.4	0.7	59.4	34.4	24.6	0.4	417	2,283
Philadelphia	22.5	57.1	20.3	58.3	13.1	33.3	11.9	418	4,926
Total	33.8	53.4	12.8	55.6	18.8	29.7	7.1	352	3,599

Source: **Philadelphia Council of Churches of Christ.**

and Camden counties. Concentration of Jewish members is highest in Philadelphia (20.3 per cent) and Camden (6.5 per cent) counties. It is low elsewhere.

As regards general interest in religion, using the percentage of church membership of all faiths to the total population as our indicator, Montgomery, Philadelphia, and Delaware counties, in that order, are the areas of greatest interest; Bucks, Camden, and Chester counties at around 50 per cent are next; and Gloucester and Burlington counties at about 40 per cent seem to be areas with least interest.

Finally, how does the Greater Philadelphia Area compare with the country as a whole? Comparisons of Tables 10.18 and 10.19 show a general lower church membership in the United States (49.2 per cent) than in the Delaware Valley (55.6 per cent). We have about 50 per cent greater concentration of Catholics (29.7 per cent) than has the whole country (19.7 per cent). Our proportion of those of the Jewish faith is more than twice the national average (7.1 per cent as compared to 3.4 per cent). Our region has a concentration of Protestants about 38 per cent smaller than does the whole country (18.8 per cent as compared to 26.1 per cent). The percentage distribution of church members among the principal sects shows about the same relative differences.

It is probable that the higher proportion of Catholics and Jews is largely responsible for the greater percentage of church membership previously noted. This factor would also lead one to the conclusion that the people of Delaware Valley have a substantial, continuing interest in religion, an interest probably more intense than that found in the nation as a whole.

TABLE 10.19

PERCENTAGE DISTRIBUTION OF CHURCH MEMBERS AND CHURCHES ACCORDING TO AFFILIATIONS
NATIONAL

Denomination	*Percentage distribution of members*	*Percentage distribution of churches*
Protestant	53.0	91.2
Roman Catholic	40.1	8.6
Jewish	6.9	—
All faiths	100.0	100.0

Source: Philadelphia Council of Churches of Christ.

Requirements Peculiar to Age

Table 10.20 reveals the 1957 age distribution for the Metropolitan Area. The "baby crop" of the last decade has resulted in 29 per cent of the population falling in the "12 and under" category. Due to the preceding "population hollow," only 8 per cent of our people are teen-agers, and 5 per cent are "young marrieds"—20-24 years. About one-third is early middle-aged (25-44), 18 per cent are later middle-aged, and 7 per cent and 65 and over.

The teen-age population will burgeon in the 1960's and a new round of babies is expected for the 1970's. All through the two decades, the oldsters will continue to increase in number and as a proportion of the whole population. The needs, tastes, and interests of these important segments must be studied carefully and provided for by those planning for the future.

Agricultural Activities

It is surprising to note how much agricultural activity there is in the eight-county area. There are 9,642 farms in Delaware Valley; this is a decrease from 13,258 enumerated in 1954, but nearly 10,000 farms is still a substantial number. Total farm income in 1959 was about $179 million, as is shown by Table 10.21. Total amount of land in cultivation comes to 912,777 acres, a 10 per cent decline from more than a million acres in 1954, but still a substantial land area.

The average farm size in the eight-county area has increased from 73.5 acres in 1954 to 83.7 acres in 1959. Thus in six years there was a decrease in the number of farms, but an increase in the average size which may be the result of some attrition of the smaller farmer.

There are still 53 farms in the city of Philadelphia and these average 65.4 acres per farm. The average value per farm is $178,750, or an average value per acre of $8,994. There is a farm of more than one thousand acres within Philadelphia County.

For the Metropolitan Area as a whole, the average value per farm is $59,173 and the average value per acre is $1,732, more than double the average value of $820 per acre in 1954. The preponderance of farms fall within the categories of truck farming and dairy farming.

Table 10.20

1957 Population, Age Distribution

Age	*Per cent of total population*
0- 5	12
5- 9	11
10-12	6
13-19	8
20-24	5
25-44	33
45-64	18
65 and over	7

Source: Printers' Ink, September 9, 1960 (Guide to Marketing for 1961). Copyright 1962 by Printers' Ink Publishing Corp.

The exact farm population of the City of Philadelphia is not available from Census figures, but it is estimated that there were 8,221 family workers in 1959 and 6,653 regular hired workers in the Area that year. As shown by Table 10.21, the seven-county area has a farm population of 80,000. Most of the farm families own and operate their own farms; only 8.8 per cent of the total were tenant farmers in 1959, down from 9.3 per cent in 1954. In Philadelphia County, however, 13.2 per cent of the farms were tenant-operated. We note from Table 10.22 that the typical Philadelphia family in 1950 spent about $5 a year for gardening expenditures. This however, does not truly reflect the interest in agriculture of the people of Delaware Valley. There is a numerically small but important group of Delaware Valley families who still earn their living from agricultural pursuits. These people have substantial investment in their enterprises and probably have better than average income compared with typical farm families.

Business Environment

How do Philadelphians earn their living? What changes are in store in their economic environment?

There are few other areas on earth that enjoy such a diversified complex of industries and kinds of activities as Philadelphia. A center of retail and wholesale trade, the supplier of multitudinous services, it has 87 per cent of all Census-defined industries within its boundaries. In 1957, the Area's 1,617,000 workers produced 12.053 billion dollars worth of goods and services; 41.7 per cent were in manufacturing and 58.3 per cent in nonmanufacturing.[22]

The City Planning Commission expects Philadelphia to grow in the same proportion as the over-all national growth from 1960-80. It predicts a 125 per cent increase in the output of goods and services by 1980.[23] No manufacturing categories are expected to decline except textiles. Substantial gains are projected for food, machinery, and metals, but the relative *share* of manufacturing to total output of goods and services is expected to decline 27 per cent by 1980. This reflects a trend evident since World War II—the expanding importance of the

TABLE 10.21

FARM POPULATION AND GROSS FARM INCOME BY COUNTY*

County	*Farm population* 1/1/60 (000)	*Gross farm income* 1959 (000)
Burlington	9.7	$ 32,493
Camden	3.3	8,457
Gloucester	9.9	26,504
Bucks	17.5	30,692
Chester	22.7	50,842
Delaware	2.8	6,176
Montgomery	14.1	22,715
Philadelphia	—	1,028
Total	80.0*	$178,907

* This is a seven-county total—Philadelphia not included.
Source: Standard Rate and Data Service—Newspapers, December 15, 1960.

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[22] *Comprehensive Plan,* p. 112.

[23] *Ibid.,* p. 113.

Area as an administrative, distributive, and service center. Thus, substantial gains are forecast for marketing, finance, insurance, real estate, public administration, and other service industries in the two decades that lie ahead. Manufacturing should hold its own, assuming that wage rates, power costs, taxes, and similar factors do not cause further migration of industry from the Area.

Tastes and Interests of Delaware Valley Families

It is not an easy matter to find a yardstick with which to measure the tastes and interests of any group. People are interested in all kinds of things—skin-diving, collecting old coins, charitable projects, esoteric religions, high fidelity sets. Everyone knows that there is no accounting for taste, which means that taste preferences are highly subjective and not readily amenable to measurement.

Several approaches suggest themselves. First, one might measure taste and interest patterns by primary research—extensive interviewing of a scientifically selected sample of Delaware Valley families to ascertain at first-hand their tastes and interests. It would be a very good method, but it would require expensive interviewing employing the most advanced techniques.[24] Due to limitations of time, this method was not employed in the present study.

The second method that recommends itself is to study consumer expenditure patterns of the typical Delaware Valley family. The assumption made here is that people *tend* to spend their money incomes in accordance with their tastes and interests. For example, if I am interested in electric organs, I am more likely to spend my money to purchase one than someone who is not at all interested in organ playing, but prefers to go fishing in his spare time.

The major problem of the consumer expenditure approach is that every family spends a good proportion of its income on goods or services in which it may not be particularly interested. For example, we all must have the necessities of life—food, clothing, and shelter. A family will spend a certain proportion of its income on food even though no one is really *interested* in fine foods and consumes only that diet necessary to stay alive and to function. The same may be true of clothing and shelter. Yet we all know that we could get along on a minimal diet, have just enough clothing to hide our nakedness, and live in tar paper shacks. The fact that we spend more than absolute minimum on life's necessities is an indicator of interest and taste for better food, clothing, and housing. Thus, the study of expenditures on the necessities of life does reveal some degree of taste and interest in goods and services commonly classed as necessities.

The typical American family however buys a standard of living that really gives expression to its individuality (or desire to conform to group norms, too) out of what analysts designate as the "discretionary income," that money left over in the family budget after taxes have been paid and the necessities of life have been provided for (food, clothing, and shelter). Therefore, if we can find out how the typical family spends this discretionary income, we shall have a good picture of the average interest and tastes of the Delaware Valley inhabitants.

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[24] Motivation research methods would be best here. People are only dimly aware of their real tastes and interests. Such information could best be elicited by depth interviewing techniques.

Although consumer expenditure patterns have been studied ever since Ernst Engel made his pioneer investigations in Saxony in 1857, few comprehensive and reliable studies are available that reflect consumer expenditure patterns in a particular region of the country, such as the Greater Philadelphia Metropolitan Area. This is because most studies have been done on a national sample basis. For example, *Life* magazine made a large consumer expenditure study in 1956 that included interviews with 10,000 family units. *Life,* however, wanted figures for the whole United States; thus the excellent probability sample for the whole country yielded very good reliability for the United States and for large sections, such as the Northeastern section, and permitted good cross tabulations to be made. But when focused on an area as small as Greater Philadelphia, the sample of a little more than 300 interviewing units becomes much too small to permit of meaningful cross tabulations or sophisticated analysis.

Other limitations appear. For example, the Bureau of Labor Statistics (BLS) of the United States Department of Labor, did a special study of family budgets in 1959 for twenty large cities and their suburbs. The sample for each area was large enough to be reasonably reliable and accurate, *but* the family units interviewed were City workers or "blue-collar" families and failed to include other important groups, such as professional, managerial, and clerical. Then, all studies failed to define the market area in the same manner so as to give complete comparability. As mentioned above, the *Life* study can include only the Northeast Metropolitan section; the 1959 City worker budget study includes only Philadelphia City and its suburbs (Bucks, Montgomery, Delaware, and Chester counties); the 1950 BLS study, discussed below, includes interviews only in Philadelphia County and the City of Camden, New Jersey.

The most substantial investigation of consumer expenditures ever made was undertaken by the Bureau of Labor Statistics and the Wharton School of Finance and Commerce in 1950, when 12,500 urban families were interviewed intensively. 1,500 items of information were provided about family characteristics, income, and consumption expenditures. The results, published between 1956 and 1959 in eighteen large volumes, afforded a wealth of information. Being an urban sample, the 1950 BLS Study permitted analysis to be made of typical family expenditures in each major city, such as Philadelphia-Camden area, since the number of interviews accomplished was sufficient to get reasonably reliable results for cross tabulation purposes.

The phrase "typical family expenditures" raises another question. Can one generalize about families? How is it possible to say that any given expenditure pattern is "typical" of anything? To do this we must fall back on the average. There are great variances in expenditure patterns at different income levels. For example, the United States family in the lowest income category spends 77.1 per cent of its income on the necessities of life; only 22.9 per cent of the income is discretionary, whereas 73.9 per cent of the income of those in the highest income category is for the necessities, and 26.1 per cent is discretionary. However, the lowest category family had only $286 a year of discretionary expenditures while the highest category family had $3,174 to spend on discretionary goods and services, a difference of approximately 1000 per cent.

Similar differences are discerned when tabulations are made by occupation, educational level of the family head, and the like. As imperfect as the concept of "typical" or "average" family must necessarily be, it is the only workable concept, for the overwhelming mass of data must be simplified to derive any useful generalization from it.

With the necessary qualifications out of the way, let us examine such consumer expenditure studies as are available, up-to-date, and reasonably reliable for the Greater Philadelphia Area.

Table 10.22 gives the details in dollars of the expenditure pattern of the typical family in the Philadelphia-Camden Area in 1950. As a comparison, two other tabulations are given—the large city in the North and suburbs in the North. The Philadelphia family[25] spent somewhat more on food and tobacco than did the typical Northern city family or the family in the Northern suburbs. Since the consumer price indices for these three areas show that food prices were somewhat higher in 1950 in the other areas than in Philadelphia, it is obvious that the Philadelphia family has a higher than average interest in food (and tobacco). Delaware Valley inhabitants have always liked good food and this shows up in the figures in Table 10.22. They also spend more on housing, fuel, household operation, and furnishings and equipment than their counterparts in the other twenty cities located in the North. This ties into the unusually high rate of home ownership in Delaware Valley, noted elsewhere, to show that our families are home-centered—they like their homes and spend a great deal on purchasing furnishings and operating them. Of course, families in the suburbs spend even more, but they have higher average incomes than the Philadelphia urban families.

The Philadelphia family also likes to dress well. This is shown by the higher average expenditure on clothing (over 10 per cent greater) than the average large city family. Our Philadelphia family is not much below the suburban family, despite the better income of the latter.

Table 10.22 also shows that Philadelphia families spend from 4 to 10 per cent more on the following items of discretionary expenditure than the family in the large city in the North: religious contributions, education, admissions, health, and medicine. We are well above both the large Northern city and Northern suburbs in personal care, and somewhat below the suburban family in the other categories mentioned. In only one category is the Philadelphia family well below the large-city and suburban families—travel and transportation. This is probably because Philadelphia families still use their excellent public transit facilities to get to work or shop more than families in other areas, who use their automobiles more for these purposes. Of course, the higher average income of the suburban family gives them greater means to support the family car. It is fair to say, however, that Philadelphia is less of an automobile town than are most big cities. Our Philadelphia family spends a good deal more on nonauto travel, but this may reflect higher expenditures on subways, buses, and other public facilities.

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[25] Hereafter refers to both the City of Philadelphia and the City of Camden.

TABLE 10.22

AVERAGE FAMILY OUTLAY FOR SELECTED CATEGORIES OF EXPENDITURES 1950

Category	*Camden, N.J.— Philadelphia, Pa.*	*Large cities in North**	*Suburbs in North†*
Food and beverages[i]	$1,416.00	$1,268.00	$1,388.00
Tobacco[i]	88.00	73.00	74.00
Housing[i]	485.00	465.00	510.00
Fuel, light, refrigeration[i]	182.00	152.00	207.00
Household operation[i]	213.00	177.00	232.00
Furnishings and equipment[i]	249.00	240.00	317.00
Clothing and clothing services[i]	510.00	455.00	533.00
Contribution to religious organizations[a]	55.00	49.00	61.00
Education—total[b]	25.47	24.00[c]	31.00[c]
School, technical books, supplies	5.50	—	—
School tuition and fees	16.35	—	—
Music, dancing lessons, etc.	3.37	—	—
Other educational expenses	.25	—	—
Admissions:	42.79	42.00[e]	42.00[d]
Concerts, sporting events[b]	11.34	—	—
Movies	31.45	—	—
Agriculture (including gardening)[e]	4.92	—	—
Sports:			
Sporting goods[b]	3.69	—	—
Fees and licenses[b]	2.89	—	—
Athletic clothing[b]	1.82	—	—
Athletic shoes[b]	.63	—	—
Dues, social and recreational clubs[g]	7.15	—	—
Hobbies:[b]			
Camera, film, other photo equipment	3.40	—	—
Collection hobbies (coins, stamps, etc.)	1.33	—	—
Craft hobbies (materials, equipment)	4.70	—	—
Phonograph records, sheet music	4.95	—	—
Other recreational expenses	37.00	—	—
Health and medicine:[f]	209.00	197.00	227.00
Group plans and insurance	23.58	—	—
Expenses while hospitalized	33.94	—	—
Physician, specialist, surgeon	70.67	—	—
Dental care	29.39	—	—
Nursing care in home	8.12	—	—
Drugs and medicine	26.03	—	—
Eye care	9.53	—	—
Other	7.65	—	—
Communication:[g]			
Radio, television sets, other musical units	87.23	—	—
Television sets	57.42	—	—
Television combination sets	14.50	—	—
Television installation charges	5.85	—	—
Pianos, other musical instruments	1.37	—	—
Repair, including parts	1.67	—	—
Phonographs	1.14	—	—
Radios	1.91	—	—
Radio-phonograph combinations	3.37	—	—

Table 10.22 (*Cont.*)

Category	*Camden, N.J.— Philadelphia, Pa.*	*Large cities in North*[*]	*Suburbs in North*[†]
Travel and transportation[h]	438.00	437.00	593.00
Automobile expenses (total)	338.00	384.00	518.00
Automobile purchase	200.00	225.00	290.00
Automobile operation	137.00	159.00	227.00
Other travel and transportation	101.00	83.00	76.00
Personal care:[b]	98.79	88.00	95.00
Services	43.85	—	—
Toilet articles and preparations	54.94	—	—
Reading:[b]	36.54	—	—
Newspapers	27.37	—	—
Magazines	5.39	—	—
Books (excluding school and technical)	2.88	—	—
Book rental, fees, and other	.90	—	—
Public affairs and civic activities[i]	25.00	24.00	44.00
Miscellaneous[j]	35.00	51.00	66.00

[*] Include 20 cities of 50,000 or over.
[†] Include suburbs of 20 cities of 50,000 or over.
[a] XI, Table 11, 288-89.
[b] XVI, Table 1-2, 16.
[c] IX, Table 1-9, 3.
[d] IX, Table 1-9, 3.
[e] XIII, Table 1-2, 17 (includes flower and lawn seed, bulbs, etc., and flowers bought for house).
[f] XIV, Table 1-1, 2.
[g] XIV, Table 1-2, 16.
[h] X, Table 1-10, 2-3.
[i] XI, Table 11, 288-89 (includes contributions to Community Chest and other charity).
[j] II, Table 1-2, 2-3.
Sources: The references above are from: Bureau of Labor Statistics, U.S. Department of Labor, "Study of Consumer Expenditure, Incomes and Savings," (Philadelphia, Pa.: University of Pennsylvania, 1956).

The typical urban family seems to spend little on travel but this is masked by the auto expense and operation items; part of the latter may be absorbed by vacation travel about the United States.

It is interesting to note that the Philadelphia family spends 4 per cent more per year on public affairs and civic activities than the average Northern city family, but spends much less than the community-centered suburban family.

Comparison of other categories, e.g., sports, hobbies, communication, is not possible because of the lack of availability of figures in the 1950 BLS survey for the Northern large-city and suburban families.

Table 10.23, derived from the 1956 *Life* study, does not provide figures for the Greater Philadelphia Area. The closest category given is Northeast Metropolitan, of which Philadelphia was a part. It is useful in confirming certain relationships noted in greater detail and accuracy in the BLS survey (Table 10.22). The typical city dweller in the Northeast, of course, has a higher average annual income than the United States average, but this difference cannot account for the higher expenditures on food, tobacco, clothing, home operation and improvement, admissions, sporting goods, and other recreational expenses and equipment. The Northeast urban dweller must be more interested in such goods and services than the typical United States family.

TABLE 10.23

AVERAGE ANNUAL HOUSEHOLD EXPENDITURE FOR SELECTED CATEGORIES OF EXPENDITURES 1956

Category	*United States average*	*Northeast Metropolitan*
Food and beverages	1,082	1,438
Tobacco and products	121	157
Clothing and accessories	494	632
Medical and dental care	191	211
Personal care	31	37
Home furnishings and equipment	346	363
Home operation and improvement*	763	898
Admissions:	28	40
Movies	16	—
Other	10	—
Sporting goods†	16	20
Hobbies:		
Photographic equipment	11	12
Communication:		
Radios, television sets, phonographs	42	39
Television	33	—
Other recreation expenses: equipment	92	105
Travel and transportation:		
Automobile purchase	299	255
Automobile operation and parts	292	256
Travel	36	—
Reading:		
Books	9	—
Other (excluding newspapers)	7	—
Phonograph records	7	—
Club dues	7	—
Health and medicine:		
Professional medical services	81	—
Drugs and remedies	15	—

* Housing, fuel, light, refrigeration, and household operation in BLS.
† Sporting goods, fees, and athletic clothing and shoes in BLS.
Sources: "Life Study of Consumer Expenditures," (New York: Time Inc., 1957), Vol. 1. "Profiles of Consumer Markets," (New York: Time Inc., 1960), Vol. 7.

Table 10.24 gives the results of the 1959 BLS study of the average Philadelphia worker's family budget. Unfortunately this study gives no United States average against which Philadelphia family expenditures may be compared, and the study is restricted to wage-earning families. However, the study gives data on the typical city worker's expenditures in 19 other major cities besides Philadelphia, so that it was possible to calculate a 20-city average against which to compare Philadelphia patterns of expenditure.

Comparison of the 20-city average with Philadelphia, shown in Table 10.24, affords some interesting contrasts. As pointed out in connection with the 1950 and 1956 studies, the Philadelphia family seems to be quite interested in food and beverages, since it spent $1,825 compared with a 20-city average of $1,722, or an increase of 6 per cent. Since average total income of the Philadelphia family was 3 per cent below the 20-city average, this represents an even greater relative interest in the food and beverage category. Keeping the 3 per cent total income difference in mind, it will be observed that the Philadelphia family is somewhat more interested in smoking (tobacco expenditures), household operation, and reading and recreation. However, all other categories of expenditure were lower for the Philadelphia family than the 20-city average.

The greatest difference is in expenditures on transportation. Our Philadelphia family spent only $384 in 1959 on transportation, compared with the 20-city average of $494, a difference of 22.3 per cent. This reflects the fact, mentioned above, that Philadelphia urban families appear to spend less on automobile purchase and operation and utilize their public transportation facilities somewhat more than the 20-city average.

The second most important difference is in housing expenditures. There is reason to believe that rents generally may be lower in Philadelphia than in the other 19 cities, but it is very unlikely that fuel costs, power costs, and the like, are significantly lower than in the other urban areas. Accordingly, it is quite interesting to note that the Philadelphia worker's family spent only $954 per annum on rent, heat, and utilities, whereas the 20-city average was $1,120, a

TABLE 10.24

ANNUAL COST OF THE CITY WORKER'S FAMILY BUDGET 1959
PHILADELPHIA AND 20-CITY AVERAGE

		Philadelphia	
Category	*20-city average*	*Dollars*	*Per cent difference*
Food and beverages	$1,722.00	$1,825	+ 6.0
Tobacco	86.00	88	+ 2.0
Clothing and accessories	558.00	546	— 2.0
Housing	1,373.00	1,203	—12.4
Rent, heat, utilities	1,120.00	954	—14.8
House furnishings	202.00	197	— 2.0
Household operation	51.00	52	+ 2.0
Medical care	321.00	316	— 1.6
Transportation	494.00	384	—22.3
Personal care	133.00	133	—
Communication	80.00	80	—
Reading and recreation:	218.00	221	+ 1.4
Books	4.94	—	—
Magazines	14.73	—	—
Admissions to movies	15.27	—	—
Admissions, other	3.63	—	—
Club dues	7.17	—	—
Education (public school expense—excludes college, technical, etc.)	20.00	—	—
Gifts and contributions	120.00	116	— 3.0
Miscellaneous goods and services	40.00	38	— 5.0
Total cost, goods and services	5,160.00	4,970	— .04
Other costs	262.00	258	— 1.5
Personal taxes	661.00	670	+ 0.1
Total income	6,083.00	5,898	— 3.0

Source: U.S. Department of Labor, BLS.

difference of 14.8 per cent. However, Philadelphia was a little above the 20-city average in household operation expenses and about average for the home furnishings category. Thus, those Philadelphians who rent their homes seem to spend somewhat less on rentals, but those who own their homes have expenditures in line with those of other urban families. In other words, there is no evidence from the 1959 Study that Philadelphia home owners are less interested in their homes than those located elsewhere.

For all of the remaining categories shown in Table 10.24 there are no significant statistical deviations between the Philadelphia family's budget and the 20-city average.

The Philadelphia family paid $670 in personal taxes, compared with the 20-city average of $661. Although this is a difference of only one-tenth of one per cent, in view of the 3 per cent lower income of the Philadelphia family compared with the 20-city average, the relative difference is worthy of comment.

Table 10.25 gives a comparison of family outlays for the typical Philadelphia family as provided by each of the three studies cited above. All limitations previously pointed out must be carefully kept in mind, but certain changes over the ten-year span are noted.

1. Philadelphia families seemed to increase their interest in food over the decade. Average expenditures rose from $1,416 to $1,825 per year, a 28 per cent increase. During the same period, total family expenditures rose from $4,533 to $5,235, an advance of 15.5 per cent. Ignoring the 1956 data, tobacco product expenditures held constant in dollars but declined relatively by 15.5 per cent.

2. Clothing expenditures rose from $510 in 1950 to $546 in 1959, an increase of only 7 per cent. Thus there was a relative decline in this item.

TABLE 10.25

AVERAGE FAMILY OUTLAY FOR SELECTED CATEGORIES OF EXPENDITURES

Category	*1950**	*1956†*	*1959‡*
Food and beverages	$1,416.00	$1,438.00	$1,825.00
Tobacco products	88.00	157.00	88.00
Clothing and accessories	510.00	632.00	546.00
Housing—total	644.00	1,261.00	1,203.00
Fuel, light, refrigeration	182.00	—	—
House furnishings and equipment	249.00	363.00	197.00
Household operation	213.00	898.00	52.00
Rent, heat, utilities	—	—	954.00
Medical Care—total	209.00	211.00	316.00
Group plans and insurance	23.58	—	—
Expense while hospitalized	33.94	—	—
Physician, specialist, surgeon	70.67	81.00	—
Dental care	29.39	—	—
Nursing care in home	8.12	—	—
Drugs and medicine	26.03	15.00	—
Eye care	9.53	—	—
Other	7.65	—	—
Travel and transportation—total	438.00	511.00	650.00
Automobile expense (total)	338.00	511.00	—
Automobile purchase	200.00	255.00	—

Table 10.25 (*Cont.*)

Category	*1950**	*1956†*	*1959‡*
Automobile operation	137.00	256.00	—
Other travel and transport	101.00	—	—
Personal care—total	98.79	37.00	133.00
Services	43.85	—	—
Toilet articles and preparations	54.94	—	—
Communication—total	87.23	75.00	80.00
Radio, television sets, other musical instruments	87.23	—	—
Television sets	57.42	—	—
Television combination sets	14.50	—	—
Television installation charges	5.85	—	—
Pianos, other musical instruments	1.37	—	—
Repairs, including parts	1.67	—	—
Phonographs	1.14	—	—
Radios	1.91	—	—
Radio-phonograph combinations	3.37	—	—
Education—total	25.47	—	20.00[a]
School, technical books, supplies	5.50	—	—
School tuition and fees	16.35	—	—
Music, dancing lessons	3.37	—	—
Other educational expenses	.25	—	—
Gifts and contributions—total	—	—	116.00
Religious organizations	55.00	—	—
Leisure-time activities—total	176.81	—	220.40
Reading (total)	36.54	—	—
Newspapers	27.37	—	—
Magazines	5.39	—	14.37
Books (excluding school and technical)	2.88	—	4.94
Book rentals, fees, etc.	.90	—	—
Public affairs and civic activities	25.00	—	—
Admissions—total	42.79	40.00	45.56
Moving pictures	31.45	16.00	36.80
Concerts, sporting events	11.34	24.00	8.76
Agriculture (including gardening)	4.92	—	—
Sports—total	16.18	27.00	—
Sporting goods	3.69	—	—
Fees and licenses	2.89	—	—
Athletic clothing	1.82	—	—
Athletic shoes	.63	—	—
Dues, clubs	7.15	7.00	7.17
Hobbies—total	14.38	19.00	—
Cameras, films, other photo equipment	3.40	12.00	—
Collection hobbies (coins, stamps, etc.)	1.33	—	—
Craft hobbies (materials, equipment)	4.70	—	—
Phonograph records, sheet music	4.95	7.00	—
Other recreational expenses	37.00	105.00	148.00
Miscellaneous goods and services	35.00	—	38.00
Total cost, goods, services, savings and property taxes	4,533.00	4,852.00	5,235.00
Personal taxes	387.00	621.00	670.00
Total income	4,920.00	5,473.00	5,905.00

* Family average, Camden-Philadelphia
† Family average, North-East Metropolitan
‡ Average City Worker's Family Budget. Philadelphia

Source: Tables 10.22, 10.23, and 10.24.

[a] Includes only elementary and high school costs.

3. Expenditures on housing seem to have doubled in the decade. However, this must be interpreted carefully. The 1950 Survey had no provision for rent; the 1959 Survey did. Analysis of house furnishings and household operation expenses shows an absolute decline in these categories. The Philadelphia family of today seems to be less interested in house furnishings and equipment and household operations than it was ten years ago.

4. Average expenditures on medical care rose from $209 per annum to $316, an increase of 51 per cent. This could be a reflection of steadily rising medical costs during the decade but possibly represents some net increase of interest in better health and medical services on the part of Philadelphia families.

5. Expenditures on travel and transportation rose from $438 to $650, an increase of 48.4 per cent for the decade. Much of this was absorbed by rising costs of purchase and operation for the family car during the period. However since total expenditures rose only 15.5 per cent, it does show a continued interest in the automobile and travel on the part of Philadelphia families, although as mentioned above, it may be less than that of large-city families elsewhere.

6. Expenditures on personal care rose from about $99 to $133, an increase of 34.3 per cent. Since this was well above the average increase in all expenditures of 15.5 per cent, we may conclude that there was a heightened interest in personal care throughout the decade.

7. Expenditures on communication consist mainly of the purchase and upkeep of television and radio sets by our Philadelphia families. This went from around $87 in 1950 to $80 in 1959, both an absolute and a relative decline. This does not mean that they were less interested in *listening* to television or radio. Listenership surveys disprove that. 1950 was a year when the rate of television ownership was expanding very rapidly. By 1959 relative set saturation had slowed down the purchase of television sets a great deal, enough to more than account for the drop.

8. Since the 1959 study included only the cost of public school education and expenses, while the 1950 study included all educational costs, the figures are not comparable. Another serious omission is the contributions that a family makes to education through the payment of school taxes. Since personal taxes rose from $387 to $670, an increase of 73 per cent, it is probable that a like increase in school taxes took place as well. Therefore, there is nothing to indicate that the typical Philadelphia family's interest in education has declined in the decade.

9. The typical Philadelphia family contributed $55 a year in 1950 to the religion of its choice. Total contributions toward the United Fund, other charities, and religion were $116 in 1959. It is not known what percentage of the latter was for religion.

10. The average family spent a grand total of $176.81 on leisure time activities in 1950, and $220.40 in 1959, an increase of about 25 per cent. Since total expenditures increased only 15.5 per cent, the rate of expenditure on leisure time almost doubled compared with that of all items. Thus, improved levels of leisure time expenditure reflect not only our growing affluence and shorter work week, but also a real increase in interest in such activities.

TABLE 10.26

TASTE AND INTEREST INDEX NUMBER 1

Category	*Per cent of disposable income* *1950*	*1956*	*1959*
Food and beverages	31.25	29.64	34.86
Tobacco products	1.95	3.23	1.68
Clothing and accessories	11.26	13.02	10.43
Housing—total	14.21	25.98	22.98
House furnishings and equipment	5.49	7.48	3.76
Household operation	4.70	18.50	0.99
Medical care	4.61	4.35	6.04
Physician, specialist, surgeon	1.57	1.67	1.24
Dental care	0.64	—	—
Drugs and medicine	0.57	0.31	—
Travel and transportation	9.66	10.53	12.42
Auto purchase, expense, operation	7.46	10.53	—
Other travel and transport	2.20	—	—
Personal care	2.18	0.76	2.54
Services	0.97	—	—
Toilet articles and preparations	1.19	—	—
Communications	1.93	1.55	1.53
Education	0.55	—	0.38
Gifts and contributions	—	—	2.22
Religion	1.21	—	—
Leisure time activities	3.90	—	4.20
Reading	0.82	—	—
Public affairs and civic activities	0.55	—	—
Admissions	0.95	0.82	0.88
Moving pictures	0.71	0.33	0.71
Concerts, sporting events	0.24	0.50	0.17
Agriculture (including-gardening)	0.01	—	—
Sports	0.36	0.56	—
Hobbies	0.32	0.38	—
Other recreational expenses	0.84	2.16	3.32
Miscellaneous goods and services	17.29	7.02	0.72

Source: Derived from Table 10.25.

Expenditures on magazines nearly trebled and that on books nearly doubled in ten years, reflecting a growing interest in reading something more than the daily newspaper.

Expenditures on admissions to the movies increased 17 per cent, so that relatively the Philadelphia family spent about the same on the movies in 1959 as in 1950. Admissions to concerts and sporting events declined from $11.34 to $8.76, a decrease of 28 per cent. This trend reflects the impact of television on admissions at sporting events that has been uncovered by a number of different surveys on this subject.

Unfortunately the 1959 study did not give statistics on expenditures on sporting equipment and hobbies. The cost of newspapers, public events, community activities, sporting goods, and hobby expenditures is buried in "other recreational expenses" which seemed to grow so heavily between 1950 and 1959.

Taste and Interest Indices

Index Number 1. There are two indices of taste and interest that have been calculated in this study. In the first index, each of the major categories of expenditures, plus interesting minor categories, have been covered. Actual dollar expenditures for each of the categories for each of the three years, 1950, 1956, and 1959, have been compared with total dollar expenditures for all goods and services, with the exception of personal taxes. This is called "disposable income" because it is at the command of the family unit to spend as it sees fit. The percentage or ratio of each expenditure to the total calculated is shown in Table 10.26.

Index Number 1 shows that the typical Philadelphia family spent around 30 per cent of its total disposable income on food and beverages in 1950 and 1956, and about 35 per cent in 1959. Since only wage earners were studied in 1959, while all segments of the population were covered in 1950, some distortion may have crept into the food figure. Due to the increased energy requirements of blue-collar occupations, some of the increase could have been accounted for by this factor; however, a certain proportion of the increase undoubtedly was caused by a greater interest in food, and perhaps an upgrading in the quality of food purchased.

Tobacco products seemed to have declined relatively by a good deal. Clothing expenditures also declined during this period, whether measured from the basis of 1950 or 1956. Housing's share takes between 23 per cent and 26 per cent of the family income in all probability, since housing expenditures were greatly underestimated in the 1950 Survey. As noted above, expenditures on house furnishings declined heavily and expenditures on household operation fell even more drastically during the ten-year period. Of course expenditures in 1950 were probably abnormally high due to the deferred demand from World War II, which was still being felt in that year.

Index Number 2. We shall turn now to Index Number 2, Table 10.27, as it gives a closeup view of how Philadelphia families spent their money on the non-necessities of life. Index Number 2 measures the ratio or percentage that a given item bears to total discretionary expenditures in the three base years. Discretionary income is that left over after the cost of taxes, food, clothing, and shelter have been deducted. The manner in which this part of the income is spent constitutes the best, most refined measure of tastes and interests available. For out of this come the "fun" expenditures—money devoted to hobbies, sports, amusements, travel, personal care, and the like. Even though medical expenditures are not "fun" expenditures, they are not classed as necessity items either, since one can use or not use a dentist or doctor as he sees fit.

At any rate, medical care seems to take up about 20 per cent of total discretionary expenditures. The increase from 18.5 per cent to 20 per cent between 1950 and 1959 may show heightened interest in medicine, an interest already high in 1950. Around 6 per cent of discretionary income is devoted to the physician, about 5 per cent to hospitalization, 2.6 per cent to dental care, and 2.3 per cent to drugs and medicine.

TABLE 10.27

TASTE AND INTEREST INDEX NUMBER 2

Cateory	*Per cent of discretionary income*		
	1950	*1956*	*1959*
Medical Care—total	18.57	20.59	20.09
Group plan and insurance	2.09	—	—
Expense while hospitalized	3.02	—	—
Physician, specialist, surgeon	6.28	7.90	—
Dental care	2.61	—	—
Nursing care in home	0.72	—	—
Drugs and medicine	2.32	1.46	—
Eye care	0.85	—	—
Other	0.68	—	—
Travel and Transportation—total	38.92	49.85	41.32
Automobile expense (total)	30.04	49.85	—
Automobile purchase	17.77	24.88	—
Automobile operation	12.26	24.97	—
Other travel and transport	8.88	—	—
Personal Care—total	8.78	3.61	8.46
Services	3.90	—	—
Toilet articles and preparations	4.88	—	—
Communications—total	7.75	7.32	5.06
Television sets (including combinations)	6.40	—	—
Television installations and repairs	0.67	—	—
Phonographs (including radio-phonograph)	0.10	—	—
Pianos and other musical instruments	0.12	—	—
Radios	0.46	—	—
Education—total	2.27	—	1.27
School, technical books, supplies	0.49	—	—
School tuition and fees (excluding school taxes)	1.45	—	—
Music, dancing lessons	0.30	—	—
Other educational expenses	0.03	—	—
Gifts and contributions—total	—	—	7.37
Religious organizations	4.88	—	—
Leisure time activities—total	15.71	—	14.01
Reading—total	3.25	—	—
Newspapers	2.43	—	—
Magazines	0.48	—	0.94
Books (including rental and fees)	0.33	—	0.30
Public affairs and civic activities	2.22	—	—
Admissions—total	3.80	3.90	2.90
Moving pictures	2.80	1.56	2.34
Concerts, sporting events	1.00	2.34	.56
Agriculture (including gardening)	0.43	—	—
Sports—total	1.43	2.63	—
Sporting clothes, shoes, goods	0.55	—	—
Fees and licenses	0.25	—	—
Dues, club	0.63	.68	0.46
Hobbies—total	1.28	1.85	—
Cameras, films, other photo equipment	0.32	1.17	—
Collection hobbies	0.12	—	—
Craft hobbies	0.42	—	—
Phonograph records, sheet music	0.43	0.68	—
Other recreational expenses	3.28	10.25	9.41
Miscellaneous goods and services	3.12	—	2.42

Source: Derived from Table 10.25.

The two BLS studies showed that travel and transportation occupied between 39 per cent and 41 per cent of discretionary income. Most of this is taken to purchase and maintain that modern family retainer, the automobile. About 9 per cent of family discretionary income is devoted to "other travel," but this includes fares on public transit and commuter lines as well as genuine travel. The typical family probably spends a very small proportion of its income on the latter item.

People are very interested in personal care as evidenced by nearly 9 per cent of discretionary income being devoted to it.

Almost 8 per cent was spent on communications in 1950; by 1959 this had fallen to 5 per cent, probably caused by the slowing down of purchase of television sets noted above. It is unfortunate that the 1959 study did not yield statistics on expenditures for high fidelity phonographs; this item (shown as phonographs 0.1 per cent in 1950) would probably have been much higher in 1959. Note the minute expenditure on "pianos and other musical instruments," which was 0.12 per cent in 1950.

As noted above, the estimate for education is low as it does not include school taxes. Our figures show little more than 2 per cent of discretionary income spent on education, of which about 1.5 per cent was for private school tuitions. It would seem that gifts and contributions took about 7 per cent of the family's discretionary income; about 5 per cent goes to their religious organizations.

It is rather surprising to note that not more than 16 per cent of the Philadelphia family's discretionary income goes to leisure time activities. The biggest item in this category is admissions, about 4 per cent or one-quarter of total leisure time expenditures in 1950. However, this had declined to about 3 per cent by 1959, occasioned chiefly by a decline in attendance at concerts and sporting events.

People are not so sports-minded as we might think, at least according to their expenditures on sports. The decline in admissions to sporting events has already been noted. Club dues declined from 0.63 per cent to 0.46 per cent in the decade. The proportion spent on sporting goods and equipment was only 0.8 per cent.

It is probable that expenditures on hobbies have grown greatly. They required 1.28 per cent by 1956. It is unfortunate that current figures are lacking for this category.

The most popular hobby was phonographic records, which grew from 0.43 per cent to 0.68 per cent from 1950 to 1956. Craft hobbies took 0.24 per cent of discretionary income in 1950, followed by collection hobbies, 0.12 per cent.

The category, "other recreational expenses," has little significance except for its place in the total for leisure activities, since it is a residual figure.

Conclusions

The foregoing study, although digested, presents a comprehensive market study which is quite complex and has many components. How to conduct such a study falls in the area of marketing research, but how to use it in planning is the responsibility of the management of promotion. It would be well to review this market evaluation critically, looking for concrete information on possible behavior patterns which may be related to the wants, needs, and emotions which have been discussed.

Chapter 11

Sales Territories and Potentials

In the previous chapter we have seen what market evaluation is and can be. We have also noted that it is the responsibility of the manager of promotion and his subordinates in sales, advertising, and public relations to plan and implement such plans as may be necessary to apply the objectives of the firm to this market evaluation.

In this process one principle of management looms important; it is control—control to ensure achievement of the objectives of the firm. This chapter, as well as Chapters 12 and 13, is concerned with the heart of sales control work. The sales manager exercises control by properly directing the work of his men. Without efficient management the salesmen would operate in a haphazard manner; salesman A would get into salesman B's territory, causing duplication of effort and conflicts between the salesmen involved. If routes were not carefully planned in advance, the men would not cover areas systematically; some parts would be neglected. Finally, without careful definition of sales territories, there would be no means of measuring how efficiently the different salesmen perform their duties. The company would have no way to measure either the output (sales volume attained) against the total business to be had in the territory (potential) or the results (sales volume) against the effort and expense of the salesman in the territory.

Thus, a good system of control involves the following logical steps: laying out the sales territories properly; determining how much business can reasonably be expected from each territory; measuring the performance of each salesman in relation to how well he is getting business and at what costs; and finally, taking corrective action to strengthen any weaknesses uncovered.

This chapter will discuss the problems of setting up territories and determining the potential of each territory. The following chapters show how to establish quotas and expense budgets and how to uncover weaknesses by applying the system.

NATURE OF A TERRITORY

A territory may be defined as a group of prospective buyers living in a geographical area, usually a town, suburb, section of a city, or the like. In laying out routes, one must consider both the location of customers and the geographical characteristics of the area. Each area should have a sufficient concentration of buyers to yield enough business, and these prospects must be so located that a salesman may contact them with a minimum of time and effort.

The most important objective in laying out sales territories is a thorough coverage of the market. Too large a territory will force the assigned salesman to skim over it. He will cover the main spots and make the easy sales, since he does not have time left over after traveling to do much new business selling. Too small a territory will result in a small sales volume which does not justify the costs of servicing the routes. Potential is lacking and the salesman spends too much time cultivating unprofitable accounts just to increase his volume.

Another objective is to lay out territories which will give the salesmen reasonably equal opportunity. Morale is destroyed when some salesmen feel that they have been assigned to territories which are less productive than those of their brother salesmen. It is also unfair to the company, for a man with a fertile territory may be devoting 50 per cent of his maximum efforts to selling and still bring in as much business as the salesman who works at top capacity in a poor territory.

The ideal territory layout equalizes territories; each territory reflects the same potential as the other. This cannot be achieved in actual practice, but the sales manager should always study his territories to see whether reshuffling would bring greater equality among them. Sometimes, adding a good section here and taking away a poor one there will help obtain this objective.

Since no sales manager can equalize the potential of his territories, he can adopt a sales quota system that reflects the relative fertility of the different territories and judge territorial results by referring to the respective quotas set. In this way, the man with a poor route is not penalized unfairly. Moreover, by such a quota system, management has the means of determining who the weak and the strong salesmen are, as described in Chapter 12.

Efficient layout of territories also facilitates cost reduction. Costs can be more easily determined and economies put into effect. In addition, well-planned territories are a positive morale-building factor. Salesmen do not feel frustrated by the chance of getting a poor route. Since they identify with their respective territories, the turnover of route men is reduced. Friendly relations with the customers are enhanced, for each customer gets to know and appreciate his particular salesman.

In further discussing the problems of setting up territories and determining the potential of each territory, we will use a study of the milk processing industry for illustrative purposes. However, the reader should understand that the general principles are applicable to most industries.

LAYING OUT ROUTES

Milk routes are laid out in reference to these three factors: (1) ability to cover a geographical area with reasonable travel patterns; (2) ability to secure a minimal dollar volume; and (3) ability to cover a certain number of customers. The geographical factor depends on knowledge of the whole trading area covered by the company. In depressed, low-income neighborhoods the number of customers may be high, but volume low. Prosperous neighborhoods, such as high-income suburbs, may have a high volume of sales, but may contain a small number of customers and be sparsely settled. In effect, the decision to establish an area as a route depends on a combination of dollar volume and number of customers (or density). If both volume and number of customers are low, it is best to drop the route. The most profitable routes will have both a dense concentration of customers and high volume. Others lie between the extremes, with various combinations of volume and density.

Cost of servicing routes of different densities is the major factor to be considered. Although most route-selling companies have not done much distribution cost work, many have a criterion, based on years of experience, of what a route should do to be profitable. For example, in an interview a certain sales manager said that his concern had worked out types of neighborhoods—rural, new suburban, old suburban, center city, and other city. A given area would be classified into one of these categories; then, figures on average income levels would be applied to further designate an area of high, medium, or low income. Criteria were set up based on these two dimensions—type of neighborhood and prevailing income level. Thus, a route in a high-income old suburban neighborhood should have 300 customers to be profitable, while one in a congested city neighborhood should have 450 customers. Routes are planned on the basis of these "break-evens."

Another system found among contacted companies involved watching sales volume and physical volume. The latter was judged not only on the basis of quartage, but also on the ratio of by-products to total volume. As long as a route runs from $700 to $1,000 per week, of which at least 15 per cent is in by-products, all is well. If the volume falls below $700 or the by-product ratio falls, even though the milk quartage holds up, the sales manager checks into the route. If the volume goes over 2,400 quarts or over $1,200 or $1,300 per week, the route is analyzed for a possible split.

When to Split

Most sales managers report that they watch both dollar volume and number of customers served on the route. When the dollar volume runs over par for the particular class of route in question, the sales manager looks into the number of customers served. Often the volume is a result of a big increase in number of customers. In this case, the demands of getting around and servicing such a route will eventually exhaust the salesman. On the other hand, if territories are reshuffled, the salesman will be relieved of some of the burden and can resume his productive selling again. At the same time, potential can be added to adjoining routes, for they get some of this better territory.

On the other hand, when a route falls below par, the manager should determine whether the salesman is falling down on the job. If not, he should ascertain the cause of the change in the neighborhood. Perhaps it is due to a shift in income groups—what was a good middle-class neighborhood has become a low-income slum area. If this is so, one of two solutions is open. The first is to absorb the route in surrounding routes; the salesman of the former route is reassigned to more fertile territory. The second solution is to increase the size of the depressed route by assigning pieces of adjacent routes to it. The admixture of better territory will improve the route volume and perhaps bring it back to par. In the meantime, the salesman is instructed to skim the territory where it is depressed by keeping high-volume customers, but not soliciting low-volume accounts.

A third alternative is to drop the route completely. However, this alternative is not popular with milk sales managers. They are reluctant to lose the volume and feel that their public relations would suffer if they stopped serving an area—the decision might be misinterpreted (discrimination toward a group). They would prefer to extend or absorb sub-par routes and attempt to bring them back to normal.

Field work uncovered a curious attitude among certain sales managers. As one expressed it: "I know I am running some routes at a loss. But I expect not to make money in all of them." When asked the reason for this strange attitude, the sales manager said that he took pride in covering *all* of his city and felt he had a public duty to service *all* areas, even depressed slum regions. While this idealism is laudable, it does not seem to be good business.

DETERMINING THE POTENTIAL

The potential of a territory is simply the total amount of product, or its dollar sales, that one could expect to sell *if* the company obtained *all* business in the territory. For a milk company, it would be the total amount of milk, cream, butter, and other dairy products that it *and all its competitors* could sell in their territory in a week, month, or some other measure of time. This, in turn, is a reflection of the total effective demand for each product sold per unit of time. Effective demand is how much of a given product people are willing to buy at prevailing prices. Therefore, effective demand is a measurement of the intensity of their want for the product and their ability to buy it, in comparison with other want-satisfying goods and services for which they might spend their money.

Sales analysts have tried to measure sales potential in many ways. Two major methods are the break-down method and the build-up method.

The Breakdown Method

This method involves obtaining estimates of the total demand (or sales) for a given product and then finding some way to break the total down, territory by territory. Figures for physical units or dollar volume sold in the past are not difficult to find for large areas of the country—states, counties, and major metropolitan areas. The Bureau of the Census, United States Department of Commerce, takes a census of business at various times (the most recent were in 1948, 1953, and 1958). It covers the value of goods manufactured and sold through the different marketing agencies, wholesalers, retailers, and the like, by states, counties, and metropolitan areas for broad categories of products. A good analyst can trace through these statistics and derive good estimates of the sales volume for his product by these broad areas of the country during the year covered by the survey.

The Department of Agriculture also has comprehensive statistics on the sale of agricultural products by states, and, in some cases, by county units. Estimates are also available from certain trade associations in the field.

There are several difficulties in using such figures:

(1) *Lack of detailed product categories.* The business census figures do not give a detailed breakdown by line of products. For example, there are statistics on "dairy product sales," but seldom figures on the particular products, such as fluid milk, cream, buttermilk, and butter.

(2) *Difficulties in breaking down the figures to sales territory levels.* Suppose there are figures covering the sale of a product for a particular county. If the whole county is served from one route and there is no overlap with other routes, the figures will be useful. However, if the county is served by nine routes, the county sales must be allocated to each route. This is generally done by using an index. A sales index is calculated by combining data which are believed to relate to demand for the product. The index may be generalized or tailor-made.

A generalized index is similar to that put out by *Sales Management,* which is used widely by sales managers. The statisticians collect data on effective buying income, estimates of retail sales through different kinds of stores, and estimates of population. They assign certain weights to each of these and arrive at a general market index. For example, a recent calculation for the state of Michigan was 4.623 per cent of the United States potential; Wayne County was 2.0016 per cent or about 40 per cent of the state. If Michigan's consumption of a given product were one million pounds last year, Wayne County's potential probably would be 400,000 pounds a year. However, this still does not help to break down the county potential into the many routes necessary to serve the area.

A tailor-made index is constructed especially for a company or an industry. It combines those statistical factors which past experience has shown are accurate in predicting the sales pattern. For instance, for a wholesale route, the number of food stores, the population of the territory, and rental values of dwellings might be combined in an index. Such a calculation requires not only the services of a statistician who knows correlation analysis, but also the availability of statistical series in sufficient detail.

(3) *Difficulties in forecasting sales for future.* Even if there were a way to allocate potential sales to each territory through a suitable index, working with past sales figure would present another problem. Most statistics date at least two or three years back. People move about, territories expand or contract in potential, incomes and prices change—all these factors affect the potential for products. The best procedure is to forecast what is likely to happen to the business in question generally in the next period, and apply the prediction to the potentials calculated on the basis of past statistics. For example, suppose government figures show that the total sale of your product in a certain territory in the last census was one million dollars. The most recent figure available is an official nationwide estimate that sales for the product have expanded 10 per cent since the time of the census; the present potential is $1,100,000 (one million plus 10 per cent). If good industry forecasts predict a 2 per cent increase in the market for the forthcoming period, the calculated potential would be $1,122,000. This potential may be quite inaccurate, for many changes may have occurred in that territory since the last census. Until a good study is made of the territory to uncover these changes, little can be done to make adjustments.

The Buildup Method

This method develops estimates of market potential by starting at the grass roots, the consumers. Unlike the breakdown method, no index is needed to allocate the territory potential by territory, since the calculation builds up from the territory to the aggregate, rather than from the aggregate to the territory.

Fortunately, many data are being developed for every field on consumer expenditures. These are adequate enough to enable the sales manager to build up good market potential estimates. This section will show where such figures are to be found and how to use them.

First, find out how much of the product is being used by the typical consumer or consuming unit over a given period of time. Then, determine how many of these consuming units are located in the territories in question. The total potential is determined by multiplying the number of consuming units by the amount consumed per unit. As in the breakdown method, older figures may have to be adjusted and forecasts for the coming period incorporated to get an estimated potential figure, territory by territory.

The United States Department of Agriculture conducted a nationwide survey of consumers in the spring of 1955 to find out the food consumption patterns in this country. Similar surveys had been conducted in 1936, 1942, and 1948. The 1955 survey was comprehensive. Food consumption patterns of 6,000 households were studied.[1] Households were grouped: (1) by regions—Northeast, North Central, South, and West; (2) by urbanization—rural farm, rural nonfarm, and urban; and (3) by several family income classes.

The sales analyst first would get the volume pertaining to his particular region, e.g., households in the Northeast (Vol. 2). Turning to the fresh fluid milk section (p. 35), he would find (a) percentage of households using at income levels, (b) quantity used per week per household at income levels, and (c) amount spent per week at income levels. Figures are given for other specific products as well as fresh whole milk. These are an advantage over the census and similar figures which do not break product lines down intimately, such as buttermilk, skim milk, chocolate milk, half-and-half, cream (light and heavy) and butter (under table fat).

Suppose that the sales manager's studies of his service area lead him to believe that about one-third of the families have average incomes between $3,000 and $4,500 per year; one-third between $4,500 and $6,000; the rest, $6,000 and more. The first category ($3,000-$4,500) has 95.9 per cent of the families purchasing whole milk; average weekly purchases are 10.71 quarts at a cost of $2.45 per week. In the second category ($4,500 $6,000), 95.8 per cent purchase whole milk; they buy an average of 11.99 quarts and spend $2.76 per week. In the highest income category, 91.5 per cent purchase whole milk; 10.49 quarts is the average purchase at a cost of $2.36 per week. Similar figures can be found for each of the other products.

Such exact consumption figures are precise tools to work with, for they reflect purchases from all sources—a retail milk route, corner grocer, supermarket, or the like. Working with volume through different distribution channels does not give such exact figures; there will always be some purchases which are missed, e.g., those obtained directly from a farmer, and the like.

The big problem is to estimate population by income breakdowns in each territory. In the example given above, we assumed that the sales manager knew the income breakdowns, but there are ways of getting both population and income breakdowns from government figures. The Census of Population[2] will give the necessary information. The latest available, 1960, gives the number of people by state, county subdivisions, and metropolitan areas. For the last Census, information was also collected on the value of dwelling units or rental value, county by county and city by city. For large cities, however, more detail is required than is given in the over-all metropolitan averages. A finer breakdown can be obtained in the shape of Census Tracts. A census tract is an interviewing area; the city is broken down into neighborhoods. This information for the 1960 Census tabulations is on punch cards or tapes, and the Bureau of the Census will run off the data for a nominal fee. Routes can be determined in relation to the areas shown in the tracts. By relating routes and tracts as nearly as possible, statistics can be compiled on the number of owner-occupied and rented dwelling units and the average or median value of the units, or their rental value. These give an indication of the probable income level of the neighborhood.

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[1] U.S. Department of Agriculture, *Food Consumption of Households in the United States,* Household Food Consumption Survey, 1955, Report No. 1 (Washington, D.C., 1956).

[2] Bureau of the Census, U.S. Department of Commerce, The Census of Population, 1960 (Washington, D.C.)

Suppose that a given route covers Census Tract No. 13 of a city. Average value of property and rental value figures indicate a typical family income of $5,000-$6,000 per year. The appropriate USDA Food Consumption of Households report shows a weekly average consumption of 11.99 quarts of whole milk. There are 550 owner-occupied and rental units in Tract. No. 13 by census count. The potential for the neighborhood comes to 550 times 11.99, or 6,594 quarts per week. If the prevailing price is 30 cents per quart, then the total dollar potential is 6,594 times 30 cents or $1,978 per week. The route man is not expected to get all of this; a certain proportion of the people buy their milk at a retail store and others have it delivered by competitors. However, the figures do give a norm, territory by territory. If the route man is selling 500 quarts per week on the average in Tract. No. 13, he is getting 500 divided by 6,594, or about 7.5 per cent of the potential. Comparison of the sales potential in an area, the company's performance in that area provides a "par for the course," a standard of performance. If the average market cultivation for all routes is 5 per cent of the calculated potential, then 7.5 per cent would be well above par. If the average coverage is 10 per cent, then 7.5 per cent would be below par. Such control figures give several points of departure for further analysis:

(1) A good sales area can be distinguished from a poor one. The salesman cannot alibi a low sales record with "that's a poor route."

(2) Good salesmen can be separated from poor ones. Investigation of the subnormal areas will show what is wrong. If it is poor selling by the salesman, he must be replaced or retrained. If it is unusually heavy competition in the particular territory, more advertising promotion and personal selling in the area will be needed to unseat the rivals. If a disproportionate amount of milk products are being purchased at the stores, then the salesmen must spend more time selling the householders on the advantages of home delivery.

(3) One knows *where* to concentrate his own or his supervisor's efforts —which routes are in trouble, which salesmen need aid, where to devote advertising and other nonpersonal selling activity.

The BLS Consumer Expenditure Survey

A newer and more elaborate source of information about consumer expenditures is becoming available. This will be even more useful than the Department of Agriculture study because it is more up-to-date and easier to use.

The field work for the study was done in 1954 by the Bureau of Labor Standards and included interviews with 12,500 families; the purpose was to provide data for correcting the cost of living index. Exhaustive interviews covered family purchases of 1,500 consumer items; the information was put on 90 million punch cards. A potential mine of information, the cards were run off and tabulated by Dr. Irwin Friend, Wharton School, University of Pennsylvania, into 8,000 pages of statistics requiring 91 separate volumes. Ninety-one cities in the United States are covered; figures are drawn from large cities, small cities, and suburbs of large cities.[3] Expenditures for the different items purchased are broken down by five income groupings.

To show how to use these BLS statistics for establishing a market potential, assume you have a bottled soft drink route in Duchess County, New York. The following are the BLS consumption data for soft drinks in Duchess County:[4]

Number of spending units earning between:	*Number of spending units*	*Average expenditure (per unit)*	*Total expenditures (000 $)*
0-$2,500	13,235	$11.50	152
2,500- 3,999	10,426	18.00	188
4,000- 6,999	14,435	24.00	346
7,000- 9,999	4,504	30.50	137
10,000 and more	2,157	31.00	67
Total	44,757	19.89	890

Note some advantages of using such consumption figures. First, the potential for the county was $890,000 a year. Suppose there is good evidence that the New York State market for soft drinks has grown by 10 per cent since the Survey was taken. The total expenditure can be raised by 10 per cent very easily; the new potential becomes $979,000. Since the percentage relationship between the spending units would not have changed much in the short time since the survey, the potential could be adjusted for the latest 1960 population estimates of Duchess County if the latter were available.

Second, the figures reveal what kind of customer is the best to cultivate. Note that the $4,000-$6,999 family has twice the soft drink consumption of the poorest category. The next in line is the $2,500-$3,999 group. The highest groups, $7,000-$9,999 and $10,000 and more, have larger average consumption expenditures, but their relative sparseness makes them less worth cultivating than the other middle-income groups. Thus, the figures help in achieving not only a good, realistic market potential, but also a qualitative evaluation of the market, invaluable for sales planning.

Such figures are more useful for small-city markets, where territories are likely to coincide closely with the survey areas, than for large cities, where the areas are not broken down into neighborhoods like the Census tracts. The large-city BLS Survey figures can still be useful in finding out which income groupings offer the best market for the product. Rough estimates of potential for the big-city areas can still be made. For example, suppose route A predominates in income group $2,500-$3,999, while route B covers mainly middle-upper families, $7,000 to $9,999. Appropriate BLS consumption figures for each group could be multiplied by the number of dwelling units in each area to yield a pretty good potential—much better than anything available heretofore.

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[3] One limitation is that data on rural expenditures are not covered.

[4] *Sales Management*, January 15, 1956, p. 60.

Other Factors

Although difference in income is probably the most important single factor altering milk consumption, there are other market factors that may be appraised. Knowledge of these gives the sales manager a knowledge not only of where present potential is located, but also, more important for the future, where new business may be developed.

For example, recent studies conducted for the American Dairy Association give important facts of interest to the sales manager in the milk processing field. Although some of these factors do not make much difference in the potential, others do. They should be appraised by the sales manager, particularly with a view to taking positive action through promotional efforts to improve them. The following findings of the ADA studies are of interest to the sales manager:[5] (1) As people grow older, the proportion of them using milk declines. Adults feel that they have less use for milk as they get older. All segments of the milk industry must work to overcome this barrier, but, at present, territories containing abnormally high percentages of adults to children and teen-agers will not constitute so good a market as those abounding with younger persons. (2) On an average day, more men than women drink milk. This illustrates the need to appeal to women from health and beauty angles to increase consumption of milk among women. (3) Among people who drink milk, more is consumed at home than elsewhere. This shows that proprietors of public eating places have not been convinced of milk as a beverage. Also, milk could be shown as the proper beverage for hostesses to serve when they entertain. (4) Milk might be consumed in greater quantities as a between-meal snack. (5) The market is concentrated in a relatively small segment of the population. One-half of the fluid milk volume is consumed by 20 per cent of the population. The market could be expanded if the other 80 per cent of the people could be convinced to increase their consumption. Of this 80 per cent, in fact, one half drink no milk at all; the other 40 per cent drink small quantities. Compare this with the 80 per cent of adult population that drink coffee.

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[5] "Highlights from a Study of Public Attitudes Toward Dairy Products," No. 1, Fall 1953; No. 2, Spring 1954; No. 3, Fall, 1954.

DETERMINING THE ABILITY OF THE SALESMEN TO SERVE A TERRITORY

After the potential of the territory by total market area and subdivisions within the total has been determined, the next step is to ascertain the ability of the typical salesman to service a territory. On this will depend the size of the territory and route layout.

A common failing in sales management is to assign territories too large, or even too small, to be covered efficiently. If the firm is not new, it will have a backlog of experience on this. One keystone is how many calls a day a salesman can make on the different types of routes, wholesale and retail, and still do a balanced job of servicing and selling. The other keystone is a route-difficulty analysis, which determines relative difficulty of serving various categories of routes. Several factors should be considered.

(1) Concentration of customers and prospects. This could be calculated on a number per mile of route traveled. Where customers are close together, routes must be shorter than when they are spread out, as in semirural routes.

(2) Type of dwellings on routes. Fewer route-miles can be accomplished where there are multiple dwelling units, such as apartments, than where the houses are single-dwelling units.

(3) State of competition in territory. Competitively, the firm will be weak in some territories and strong in others. In weak territories, customers are spread out, even though the area may be heavily populated. If routes can be assigned to include both strong and weak areas, the salesmen will have more equality of opportunity. If this cannot be done, then the weak routes should be short enough to provide the salesmen with enough free time to develop new business.

(4) Economic status of territory. This information is necessary to set quotas and potentials. High-income areas may demand less collecting but more servicing time than low-income territories. The balance, one way or the other, may have some weight in the difficulty analysis.

(5) Geographical and traffic characteristics. Territories with hilly terrain, curved streets, or poor streets will require longer travel time to cover than those with good geographical characteristics. Areas congested by heavy truck and motor car traffic will also take longer to serve than less cluttered areas.

(6) Danger involved. Many milk companies skip depressed slum areas, not only because of the poor business from them, but also because of the considerable danger to the drivers. It is wise not to lay out routes in areas where frequent criminal acts against drivers, robbery of merchandise, and damage to equipment are encountered; such routes cost more than they are worth and can damage salesmen's morale.

MAPPING OUT THE ROUTES

Guided by the territory-difficulty analysis and by figures developed from past experience (average number of calls per day accomplished on different kinds of routes), the sales manager can categorize the routes into classes and establish pars for each type of route. Then, using a large wall map showing streets in detail, he can lay out the routes. He might decide that a route in area A can be only five miles because the difficulty analysis indicates that is all that can be expected, while route B can cover twelve. He must take care to lay out territories which will allow efficient travel patterns. Once he knows the typical number of calls which can be made in a territory of stated difficulty, it is quite easy to demarcate the extent of the routes.

The next step is to chart the way the salesman should travel through the route—his progress through the territory, street by street, may be determined by the wall map. Once the travel pattern is established, a supervisor or some other experienced person should actually try it, for maps are not always up to date, and streets are not always passable. Once checked out, the detailed route list is made up and becomes the basis for the salesman's route book. It is a good idea to draw in the boundaries of each route on the wall map in colored pencil. The routes should be numbered, and labels with the assigned salesman's name may be stuck on the map in the proper territory. As men are transferred to other routes or replacements are made, these assignment stickers can be shifted. In this way the sales manager always has an up-to-date picture of his territories, who is assigned to them, and whether they are properly covered.

Territorial layouts should always be flexible. When conditions change on the routes, or unanticipated difficulties develop, the layouts should be redrawn. Salesmen should keep to their routes. Territory-hopping is confusing to customers, and creates antagonism among the salesmen. Letting the salesman lay out his own route may lead to inefficient travel patterns, cross-hauling, and the like. Changes should be made only after consultation and clearance with the sales manager. Loose route control is bad management.

Reasons for Revising Routes

(1) *Change in Population.* Suppose a route is originally laid out when a suburb is just being settled. It is sparsely inhabited, and the number of calls per mile is low. After a few years the suburb becomes built up, yet the route is left the same. The salesman is turning in satisfactory volume, but he is creaming it from the lush territory, making the easy sales. He cannot do much else because of the big population that he must cover; he has no time to go after new accounts. Splitting the territory into two, or taking part and adding it to an adjacent slower route will improve performance, since each salesman must cultivate more intensively what he has. Likewise, when an area declines in population or income, the territory should be adjusted in fairness to the salesman assigned to the route. He should be given other sections of better quality to compensate for the declining potential of his area.

(2) *Change in Income Status.* High-income areas are usually lucrative; low-income areas are less lucrative. If the average income on the route

rises, the salesman does not need to work so hard to maintain his quota, or even to exceed it. Such areas should be redistricted; some of the lush area may be taken from the route and put into a poorer route, or a poorer area may be added to the original route to average it out.

(3) *Change in Competition.* A competitor may move into an area in which the firm is waging a big campaign, or he may offer a new service that must be duplicated to hold customers. Since the route man needs more time to combat this competition, to get new customers, to win old customers back, to sell service, the sales manager should reshuffle the territory and thereby give the salesman less territory to cover and more time to meet the new competition.

(4) *Pioneering Work.* Occasionally a company will move into an area not previously serviced. Since the men must do *real* selling work to build the territory, they should have small routes in the pioneering stage. Once these are developed, they can be recombined into larger territories.

(5) *High-Cost Sales Territory.* Progressive companies which keep careful cost control figures (see Chapter 13) have an added criterion for judging the adequacy of territories. When selling costs rise in relation to sales revenues, they look into the situation. Usually, the trouble lies at the salesman's door; the quality of his performance is probably dropping. However, the rise *can* signal changes in the territory itself; it may be an early warning that the territory is going downhill—people are moving away, slums are developing, and the like. In such a case, the sales manager can either (1) increase the size of the territory and let the salesman skim what business is still there, but at lower costs per customer, or, (2) redistrict—shuffle a good area into the poor territory, or divide the poor territory into contiguous routes so that it is shared by many others. Either alternative dilutes the costs of serving the area and improves the picture.

TIE-IN WITH QUOTAS

After the total market is laid out systematically into territories and each territory is covered by a salesman, the sales manager can begin to think about quotas. He has determined the size of the territory and its potential; he knows the salesman can handle it properly because the route has been carefully worked out; he also knows how much of his products on the average will be consumed in the territory. Now he is ready to determine how much of the total business he should expect to get, territory by territory and to calculate the sales quotas.

Chapter 12

Forecasts, Budgets, and Quotas

SALES FORECASTING

Sales forecasting is a part of planning; it is essential to the successful control of expenses, budgeting, and securing of profits. Every business man must look ahead to discern probable changes and adjust his business actions before these changes occur, rather than after. Business moves so rapidly today that ex post facto adjustment is not enough—the damage is already done. For example, several years ago in Philadelphia the market for new houses selling for around $15,000 dropped, while the demand for units costing around $25,000 increased. By the time the majority of local builders learned of this change and began to build the more expensive homes, they were six months behind those more perceptive to changing market influences. By that time the demand for such homes had been satisfied; the laggards were left with a number of unsalable houses.

There are five major elements to consider in making a sales forecast: (1) *The past patterns of the company's sales, and its sales goals.* This information may be obtained from the company's own records. For complete comparisons the data must usually be reworked to reveal useful relationships. They may be broken down by units of product or dollars, or both. Most analyses of the company's sales include one or more of the following breakdowns:

(a) By months, quarters, or years—to uncover long-term trends and seasonal changes in sales. Knowledge of over-all patterns facilitates future planning. For instance, once seasonal changes in sales are known, selling effort, advertising appropriations, production schedules, and the like can be arranged.

(b) By product lines or individual products—to analyze growth or decline patterns over time. Some products decline in consumption;

some increase. For example, the per capita consumption of butter has been declining over the past generation. If an individual company did not know this pattern and simply looked at its own butter volume over time without comparing its own sales with general industry patterns, it might think its sales organization was inefficient in selling butter.

(c) By territories—to disclose where the company's weak and strong areas are. Once the distribution of the company's sales has been determined, remedial action can be planned; but this cannot be done unless management has the figures.

(d) By distribution channels—to catch changes in the relative importance of ways of reaching the market. The trend of retail sales is compared with that of wholesale sales to see whether there are shifts. If changes are seen, then an investigation can be made of the reasons for the alteration in sales.

(e) By classes of customers—in order to determine which types of users represent the best market opportunities and which are the poorest prospects.

(2) *Sales of competitors; their plans and intentions.* The actual sales of competitors are not easy to obtain. If the corporations are publicly held, annual reports may be available. However, these reports seldom give a detailed breakdown of total sales volume by product lines, territories, or the like. Sales figures for a closely held corporation are seldom available.

If sales figures are scarce, future plans and intentions are even more difficult to learn about. However, much information gets around as trade gossip; by keeping one's ears open, one can sometimes get good indications of what competitors are thinking about doing.

Market research may be employed to determine the company's market position. Systematic interviewing of a cross section of users can establish consumption levels and reveal how consumers divide their expenditures among competitors. This kind of investigation is very expensive. Market position is usually judged by the sales manager and based on his own observations and long knowledge of the market.

(3) *The level and trend of consumer spending, in total and for the products.* The figures on trends in consumer spending can be developed from sources discussed in Chapter 10. This is an important part of sales forecasting work. When per capita consumption of a product is rising, the sales manager must determine whether his company is getting its share of the money. When per capita consumption is falling, he must decide whether the company should fight for an increased share of a smaller market, be content as long as the share of the market is stable, or get out of the failing line for something else. There is good money in being "residual legatee" of a once popular line. For example, a great retail mail order chain did not drop tires for the Model "T" Ford after the manufacture of the car ceased. One by one competitors withdrew from the field, but the chain held on. Now it is the only source for the product

and does a good business each year in a line everybody else thought was finished.

(4) *The general trend of the industry.* This is a composite of what is happening to consumer spending for each of the individual products in the line. Some are increasing; some are decreasing. The result is an upward, stable, or downward trend for the industry as compared with all other industrial activity. This is the cloth from which the individual company cuts its sales volume. The larger the cloth, the greater the slice that can be taken; the smaller the cloth, the smaller the slice. Therefore, the sales analyst must try to predict how the industry as a whole is going to do in the next period and perhaps in the next generation. Statistics relating to trends in an industry are available from government sources and occasionally from trade associations. The analyst should especially watch for changes in volume by product lines, changes for spending on plant and equipment (it may mean more competition), mergers, development of new products and governmental influences (taxes, regulations, price restrictions).

(5) *General economic conditions—past, present, and future.* Of all factors mentioned to this point, general economic conditions are probably the most important, for they determine consumer spending, business spending, competitor's plans, and everything else. As the budget director of a large manufacturer explains it:

> The principal factor in sales variations over the short run is not the ability of the sales organization, or the quality of the company's merchandise, because these change only slowly, but rather the rapid changes in external economic conditions. Hence the job of forecasting is primarily one of forecasting external events and the nature of their influence on the business, rather than one of foreseeing what management will do.[1]

A number of business forecasts are available to the executive. These generally come in November or December and look ahead to the next year. Some executives read them all and go on a kind of "majority rule" basis; they decide what the consensus is and follow that. Others follow one analyst in whom they have faith. Arno Johnson is such a forecaster; many sales managers eagerly await his forecasts, and company plans are altered according to what he predicts for the next year.

The process of general business forecasting is not exact; but it is not simply crystal ball gazing either. The experienced analyst puts together a lot of major statistical factors that past experience indicates have heavily influenced business conditions, such as consumer spending intentions, plans of industry for plant and equipment expansion, government spending and taxing plans, probably export-import level, and financial outlook (availability of capital funds). He estimates the influence of each factor in the total picture and makes a synthesis. Such forecasting procedures, based on solid statistical series, usually have been quite accurate in predicting coming business conditions; they have been defective only on forecasting radical alterations, e.g., sudden downswings or upturns, which are often occasioned by noneconomic happenings that no one could have predicted, such as wars, threat of war, change of political power, and the like.

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[1] Cited in Harry Simmons, "Successful Sales Management" (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1952), p. 236.

Seven Modern Forecasting Methods[2]

Professor Simmons says that there are seven methods in use today:

(1) *Jury of Executive Opinion.* The top executives of the company are constituted into a forecasting and budgeting committee. They study all factual material available from economists, forecasts, sales analyses, opinions of experts in the industry, and other sources. Each executive appraises the probabilities for the next year. These are fully discussed by the group, reconciled if possible, and a report is made giving the company forecast. This official forecast determines all sales goals and budgetary allocations.

(2) *Salesforce Composite.* Each salesman in the field is asked to make a forecast of sales in his particular territory. The sales supervisors and other sales executives also make independent forecasts for their particular jurisdictions. The forecasts cover total volume and sales by different lines of products, by customer types, and the like. A discussion of competition in the territory is also included.

The sales manager puts all these independent forecasts together, totals them, and discerns the over-all trends and tendencies. Then he modifies the composite by his estimate of the situation and submits the result to top management as the sales department's forecast.

The reasoning behind this method is that there is safety in numbers. Each salesman is supposed to have an intimate knowledge of the conditions in his territory. He forecasts what he thinks the company can do for the next period, and why. The total is the product of many minds, each with some expertness and powers of observation. The system works well for companies that have a very intelligent type of salesman; its usefulness is doubtful, however, when the reverse is true. Also, all salespeople are subject to similar influences—there is a good deal of intercommunication. Therefore, all could be wrong; this is the fallacy of group thinking.

(3) *Correlation Analysis.* Sometimes called the econometric approach, this type of analysis attempts to forecast business conditions by determining and measuring the relationship between company or industry sales and different kinds of economic activities. After these economic activities are measured, industry or company sales are compared with their fluctua-

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[2] *Ibid.*, pp. 240-41.

tions to determine to what degree sales volume changes as these economic data change. Those indicators that come closest to varying with past sales are chosen to forecast future sales.

(4) *Trend and Cycle Analysis.* Very similar to correlation analysis, this is a study of the basic factors causing fluctuations in sales. The object is to predict future sales by estimating the probable trend of the underlying forces. To take a very simple example, if correlation analysis has shown a close relation between the sales of the product and the national income of the country, i.e., in the past they have gone up and down together, and if the economists are predicting that national income will rise by 10 per cent next year, there will probably be a 10 per cent rise in the potential sales for the product next year.

(5) *Industry Forecast.* A sales forecast is reached by first forecasting the outlook for the whole industry and then estimating the company's share of the total market. This simply brings the forecasting from the company level to the industry level, but a good industry forecast, put out perhaps by a trade association, can be translated into a company forecast by estimating what share of the market the concern is likely to get.

(6) *Product Line Analysis.* Independent separate forecasts are made product by product. These are then combined for all lines handled by the company to yield the over-all sales estimate. Such analysis is useful if the concern handles a number of unrelated products, each of which has its own peculiar patterns of supply and demand. Since a general business forecast, if correct, will have a different effect on each of these different products, an over-all estimate is of little use. For example, a steel mill may make two kinds of steel—one used mainly in making bridges, the other for textile machinery. If a decline in business is forecasted, it would be silly to cut production levels uniformly for each product. The recession might hurt textile machinery more than proportionally, but increased government spending on roads to provide employment might stimulate bridge building. Fortunately, the products of many route-selling industries are subject to about the same economic influences, but individual trends in consumption still must be allowed for, product by product, in making the forecast.

(7) *End Use Analysis.* The outlook for each industry using the company's products is studied. Levels of probable demand, product by product, are developed; then all forecasts are put together to give the over-all picture. This method is more appropriate for industrial than for consumer products.

How Forecasts Are Used

Sales forecasts are used to set sales targets; quotas are based on sales forecasts. If the forecasting methods are sound, the quota plan also is sound. Forecasts are also useful as a basis for sales compensation plans; the potential is based on future rather than past performance. Rewards are given for getting this forecasted business. Forecasts also can indicate whether sales territories are properly established. The forecast of a big increase for a territory may raise questions whether the territory has become too large and should be split; a shrinking territory may be redistricted. Finally, skillful forecasting helps to direct sales efforts toward territories or products with the greatest forecast potentials, thus increasing the efficiency of sales management.

SALES BUDGETING

Although budgeting is a universal business practice, it is a relatively modern practice. Prior to World War I few firms bothered to work out business forecasts and budgets; the few that developed these practices were the largest concerns of the day. Most other firms went "by guess and by the slogan, 'In God We Trust.' "

When Frederic W. Taylor, the Gilbreths, and their followers introduced scientific management, more and more businesses started budgetary planning. The Great Depression, 1930-40, stimulated the practice, since business became acutely aware of the need to keep expenses in line as sales declined. Today few companies do not engage in budgeting of some kind, although too few still do proper sales budgeting.

What is a Budget?

A budget is simply a detailed plan of expenditure, a proposal for spending money during the forthcoming period, usually one year.

Budgeting is an orderly procedure. The sales forecast, described above, provides evidence that there is a certain sales opportunity, a *potential,* which can be obtained the next year. The object is to go after these sales dollars. Such an aim requires time, effort, men, materials, factories, machinery, and the like. Budgeting provides a plan, a road map, of how to get to the goal, since it requires expenditure of money to make the goods and to sell them.

If the budgeting plans the correct balance of expenditures for all requirements, the team will function with the greatest possible efficiency. The ideal is to spend just enough money on each function to run it at top efficiency; too little will impair that efficiency—too much will take money from other functions that need it. The need for balance, therefore, means that a comprehensive budget must encompass all activities, not just sales, production, or another single department of a firm.

All budgeting is a compromise; so much money will be available to run the business for the next period. Part of the money is already available in working capital; the rest should come in during the period if sales materialize as indicated by the sales forecast. On the other hand, every department head, including the sales manager, feels that he should have a great deal more money to do *his* job really well. Therefore, the management must confer with each department head to make sure that expenditures will be well balanced, according to the rule just given; each department should have enough, but no more, to do its part.

Unfortunately, some department heads have more prestige and power than others. If they have only the narrow interests of their departments at heart, they may get more than their proper share. Top management should recognize these empire-building tactics and make sure that the compromise is fair. A biased budget warps the activities of the firm; a fair, balanced budget directs efforts along proper lines.

Budgetary Planning

All budgeting must start with the sales forecast. The forecast is often pulled together by the sales manager, or by a budgeting and forecasting committee, of which the sales manager will be a key member. In larger firms it may be worked out by an economist or sales analyst. The forecast is discussed in top management meetings and may be changed or modified by the chief executive if he feels it is out of line. In modern practice such interference will be minimal and should be used only after exhaustive hearings which allow the persons who formed the proposal to defend it with facts, figures, and logic.

When officially approved, usually by the board of directors, the forecast becomes the official sales goal for the next period. Each department goes to work on its particular budget needed to implement the goal. The production department translates the figures into the number of units of each product in the line which will be needed at different times during the period. Production schedules are worked down into such operating costs as material requirements, manpower requirements, fuel need, and power needs. These costs are then pulled together and become the production budget.

The purchasing department collaborates with production on material and supply requirements—these become the purchasing budget. The personnel department collects figures on personnel required by different categories, lays out its recruiting plan, and determines its money needs. The finance officer estimates drains on working capital and plans bank borrowings and other capital sources. In short, every department goes to work to assay its role and estimate how much it will need to do the job of the size given by the sales forecast.

The sales manager is vitally concerned, for no forecast goal can possibly be reached unless he sells the products. Will he need more salesmen —salesmen of different types? Will the monetary incentives have to be raised to attain the new goal? How much more will have to be spent on advertising, sales promotion, and supporting activities to make the goal possible? All these questions take skilled planning. Like the other departmental heads, the sales manager prepares his sales budget.

Next, all departmental budgets are collected and put together, usually by the comptroller. They are reviewed by the budget committee and by top management. Each departmental budget that seems to be in line and is strongly supported by fact may be approved with little trouble; those out of line require departmental manager's justification and explanation of them.

The sales manager is in a difficult position, for his contribution is intangible. The production manager can employ cold figures to show where this machine or that amount of material is needed to turn out so many units of a product. Since the sales manager's department provides services, it is almost impossible to prove that exactly this number of men or that number of dollars in advertising will produce the desired results, and uncertain results make justification of any sales budget difficult. Therefore, the latter should be prepared with great care; it must be "sold" to top management the way any other intangible product is sold.

What Should be Included in the Sales Budget?

There is no general agreement as to what constitutes selling expense. A figure indicating that selling expense runs 5 per cent of sales in Company A and 10 per cent in Company B means little unless one knows whether both companies include the same kinds of activities as selling. Company B looks less efficient on the surface, yet it may be charging everything to sales, while Company A is following more conservative accounting practice. The sales manager of Company B may be just as efficient as that of Company A, but he may have to absorb more expenses charged to him. The analyst's task is to indicate the great variation of practice that goes into the sales expense budget—to show what kind of items are generally agreed upon as proper sales expenses, and what kind are not.

An industry, through its trade association, should agree on some "rules of the road"—standard practices on what will be considered sales expense and what will not. If everybody charges the same kind of expenses to sales, expense ratios will have meaning. Comparisons among companies may be made more accurately than at present. Good "pars for the course" can be worked out.

(A) *Items to be Included in the Sales Budget.* There can be no question about these expense items:

Salesmen's commissions, salaries, and bonuses
Salesmen's traveling expenses, including delivery costs for route selling and freight to customers
Sales managers and supervisors' salaries
Salaries of the sales department staff
Trade and consumer advertising
Sales training

When the advertising department is separate, it will have its own budget and its expenses will not show up on the sales department budget.

Another exception is involved if a new product is being introduced. It is better to treat advertising and special personal selling for the new item as deferred expense, to be charged off against the profits from sales of the new product. Such treatment avoids loading the other established products with expenses for which they are not responsible and enables better evaluation of the profitability (or lack of profitability) of the new item. (This depends on the tax situation; when taxes are high, it may be more advantageous to charge the expenses off currently.)

(B) *Items Generally Included in the Sales Budget.*

Institutional advertising—This type of advertising creates a more favorable selling climate generally. Since it promotes sales, even indirectly, it is sales expense. Some companies do not so charge it, however.

Branch office expense—This should be charged to the sales budget unless substantial manufacturing occurs at the branch.

Packages, packing cases, bottles, and containers—Proper packaging enhances the salability of the product. Some companies even go so far as to include all shipping department expense under sales. This, however, is not good practice. The authors would exclude bottles and containers, but include packaging as sales expense.

Order department—The expense of this department is generally included as selling expense, since it is considered a necessary recordkeeping function of the sales department.

Billing department—The expense of this department is generally combined with order department and charged to sales. This is not good practice, for billing is a general expense.

Credit department—The credit department is set up to protect the company against credit loss. It should not be under the sales manager's jurisdiction, since there is a basic conflict of interest between expanding sales and restricting credit. Therefore the department's expense should not be charged to sales, although too often it is.

Collection department—The same reasoning applies for this department.

Bad debts—These are often charged against sales because they are negative sales, but it is better accounting procedure not to do so.

Trade discounts—Probably one-half of the companies in this country treat these discounts as charges against sales; the other half treat them as financial expense. There is more logic in treating them as financial expense, since a cash discount is granted for the use of money and involves an interest payment more than a sales inducement. Functional discounts (wholesale, retail) or quantity discounts are more in the nature of sales inducements, and there is some justification for charging them to sales.

(C) *Items That Should Not Be in the Sales Budget.* The following items are found in some sales budgets. Unlike the items in (B) above, these items have absolutely no justification for being there at all. They should be rigorously excluded from a sales budget.

Internal house organs
Association dues
Canceled orders
Subscriptions to charity
Publication subscriptions
Adjustments on guarantees
Estimating department
Experimental laboratory
Welfare work
Employers' Liability Insurance
Legal expenses
Inventories
General office rent
Educational work
Instruction books (unless for sales training)
Merchandise allowances
Returned goods
Samples
Traffic department
Marine insurance
Theft insurance
Mercantile reports
Dead stock
Auditing department
Stenographic department
Discounts to employees
Inventions department
Marketing research
Restaurant for employees

Inclusion of some of the above items in a sales budget is absurd, but it occurs all too frequently. Such items are listed here to show how the sales department may be a dumping ground for all kinds of miscellaneous charges that nobody else wants. The sales manager should resist such charges, for they penalize him unfairly and make it impossible to determine whether his expenses are out of line with those of other concerns through expense ratio analysis.

Finishing Steps

After each expense item is estimated, the budget is pulled together. It is a good idea to leave as a reserve against contingencies about 5 or 10 per cent of the total unappropriated to expense headings. Additional money can be taken from this reserve to cover modest overages in the various accounts, for it is not possible to estimate the latter accurately. The reserve also provides some leeway for the unexpected. Any surpluses in the reserve for contingencies or other regular sales accounts can be turned back at the end of the period with good psychological results, for management always likes a department to be under its budget.

Reviewing the Budget

It is necessary to review the budget periodically. Many firms have such a review of all budgets by the top management quarterly, and some even more often. Actual expenses are compared with budgeted amounts. When the budget has been exceeded, the officer responsible must explain the reasons why. If the management is satisfied by the explanation, it may authorize an increase to take care of the unforeseen situation. If the explanation is not satisfactory, corrective action is taken. Thus, evaluation and control are obtained through the budget. Chapter 13 discusses expense control more fully.

SETTING QUOTAS

Suppose a sales manager has determined his company-wide potential—i.e., how much business will probably be there to obtain—and broken this potential down, territory by territory, so that he knows what each route *could do* if it secured all possible business. Since he knows his company is not going to get all the business because of competitors, he must calculate how much it is reasonable to expect each salesman to get from his particular territory. This calculation becomes the salesman's goal, or quota, for the next period.

The sales manager uses six steps to arrive at the quota figure.

Step 1. *Pulling together all available information.* After using the buildup or the breakdown method to estimate the territorial potential, he should assemble figures as to how each territory did last year—number of customers, volume of sales in total and by each product, last year's quotas and percentage of quota obtained, average sale per customer per year, number of accounts lost and number gained, and the like. It is a good idea to run these statistics for a period of years to see whether trends can be discerned from them.

Information about competitive factors in each territory will be helpful. Although the sales manager probably will not be able to get figures on the actual sales volume of competitors, he can make inferences about them. For instance, he may question his salesmen as to the extent and nature of competition, since they are close to the situation.

Step 2. *Estimating the strength of competition and other deterrents to sales.* Since there is no exact way to do this, the sales manager must use his judgment. Past sales figures of the route will give some basis for estimating past resistance. Assume, for the sake of illustration, that his company has been doing about 20 per cent of the potential in a certain retail territory the past few years; however, his over-all market position has been about 25 per cent. He calls in the supervisor and salesman responsible for the territory and reviews this situation. Suppose the territory did $100,000 in sales last year out of a potential of $500,000. Because of better economic conditions indicated by the sales forecast, and an increase in population and income in the territory itself, the sales manager has set the potential of the route at $600,000. What should the quota be? It should certainly be at least 20 per cent of $600,000, or $120,000. If the sales manager is not satisfied with merely holding his share and wants to better it, he should discuss his findings with the salesman and his supervisor. He should show them how he arrived at the quota, review competitive factors, growth factors, and all other figures on which he made his estimate, sell the men on the logic of the estimate, and let them pull it apart if they can. If his arguments stand up, he has sold them on the quota; if not, he should alter the quota to secure mutual agreement.

Perhaps the men will convince him that competition is very keen and that holding the 20 per cent share of the market will be an accomplishment. On the other hand, he may point out that there will be a new, strong advertising program and a new product that competitors will not have. He may suggest a new quota of 25 per cent of the potential and perhaps settle for 23 per cent.

Although time-consuming, the discussion method is very good. The salesmen are convinced of the fairness of the final quota. They have participated in establishing their own quotas rather than having them set by authority from above. Since they identify themselves with their goals, they will use every effort to attain them. They do not have the alibi that the "old man" set a fantastic quota that no one could reach.

At the same time, it is not always good if the men set their own quotas. The so-called "psychological" quota is not based on objective data and leads to frustration if a good salesman, who wants to appear ambitious, sets too high a quota. Of course, poor salesmen may set too low a goal. Either way morale suffers, especially when a bonus depends on meeting a quota.

A sales manager can reduce a quota below last year's figure, but it does so for good cause, such as increased competition or deterioration of a neighborhood. The salesmen will appreciate the fact that quotas are not a "speed-up" device to get more out of them, but work both ways. Their increased respect for the system will increase its power to stimulate them. The salesman will think: "This system makes sense. If they say I can sell $138,000 worth of products, the business must be there. I'll show them I can." It not only challenges them, but reassures them.

Step 3. *Breaking the quotas down by seasonality.* Few products sell uniformly month by month over the year. Most have seasonal patterns. A sales manager's sales records will show what the seasonal pattern is in his market area. Assume his seasonal pattern is the same as that calculated in a study by the United States Department of Commerce for different lines of business.

Month	*Per cent of total year*	*Quota for month*
January	8	$ 11,040
February	8	11,040
March	9	12,420
April	9	12,420
May	9	12,420
June	9	12,420
July	7	9,660
August	7	9,660
September	9	12,420
October	9	12,420
November	8	11,040
December	8	11,040
Total, year	100	$138,000

Source: Sales Managers Handbook, 6th ed., p. 368.

Note that he has broken down the 23 per cent quota on the $600,000 potential discussed above into monthly quotas based on studies of past seasonality. This breakdown gives the salesman something to aim for each month and provides the sales manager with a constant measure of performance. Failure to meet monthly quotas should be watched carefully, for either the quotas are incorrect or the salesman is not selling efficiently. Some months the men will sell below the quotas; some months they will sell above. However, continued inability to meet a monthly quota is a signal to the sales manager to investigate the situation carefully and take appropriate corrective action.

Step 4. *Breaking the quota down by line of product.* The sales manager may or may not take this step. If not, he will still have control; he can measure over-all sales performance territory by territory. In this way, he gains further control, for he can now set sales goals item by item in his line.

To do this, he starts out with an analysis of past sales in each territory, item by item. Using the milk company example again, assume there are only three items sold on the retail route discussed above: fluid whole milk, cream, and butter. The figures show that in the past few years the makeup has been roughly 77 per cent milk, 13 per cent cream, and 10 per cent butter, by value. The trend has been for milk to increase, cream to remain about the same, and butter to decline proportionately. The next year, the makeup should be about 78 per cent milk, 13 per cent cream, and 9 per cent butter. From this point it is simple to work out item quotas by value and quantity, month by month, and for the year. For instance, in the example above, the product quota for January would be: milk, 78 per cent, or $8611; cream 13 per cent, or $1435; and butter 9 per cent, or $994. These values can be translated into units of physical quantity by assuming what the price is likely to be per unit for the month concerned and dividing the dollar value by the price per unit for each product. Past normal variations in price at different seasons can be used to estimate probable price in the future.

Sometimes quotas are used as a sales stimulus. The sales manager thinks: "Butter has been declining—let us raise the quota instead of lowering it and give the salesman an incentive to push it to reach the quota." However, the objective of the quota is to reflect *normal, reasonable* opportunity to make sales. If a quota is manipulated in such a manner, it no longer retains its function as a yardstick of efficiency, for the yardstick itself is changing in dimensions. Moreover, the men will lose faith in their quotas if they feel this kind of manipulation is going on. It would be better to put a "merchandise premium" on butter—an extra commission to give the men the incentive to move it.

Step 5. *Building up the territory quotas into an over-all market picture.* After the sales manager has figured out all the quotas, territory by territory, month by month, line by line, he can add them up to get an over-all control. He does this by computing the total for each item for each month and adding up all items to give the total projected quota for the forthcoming period. As the actual figures come in during the period, he can compare how the whole salesforce and the individual routes are doing. He can also obtain the sales expense figures and compare them with the quota performance figures. By this process he can tell how well the salesforce is meeting its planned goals and at what cost. From these figures, he can evaluate profit on sales, month by month, quarter by quarter.

Step 6. *Reviewing the quotas periodically.* The quotas, like the budget, must be reviewed. Performance figures may show that the sales manager overestimated the sales opportunity; his salesforce, for the most part, has not been meeting its quotas. A thorough investigation should be made to determine whether the fault lies with salesmen (not selling properly) or with external conditions, such as poor demand for the milk products or more vigorous competition. If the manager is convinced that external forces are to blame, he should reduce the quotas for the next period. If the salesforce is to blame, the quotas should not be touched and the salesmen should be goaded.

Summary: What is a Good Quota System?

After the system has been planned, it should be tested against the following characteristics. If it has just about all of them, it is a good system.[3]

1. Have all important factors affecting the salesman's task been considered—the potential market, business conditions, past sales records, competition, abilities of the salesman, changes in sales policies?
2. Is it simple? The salesman should understand the way the quota is calculated, since he must have confidence in its fairness.
3. Is it accurate? Factual information is the foundation of a good quota; guesswork must be kept at a minimum.
4. Does it define the sales task? A quota should state exactly what management expects the salesman to do and provide tangible goals to aim for. Therefore it is a good idea to break the quota down further into months and units of product.
5. Is the quota set to represent good performance? The quota should be such that an average salesman who works diligently can attain it.
6. Does it provide incentive? If the quota represents good performance, it should provide incentive. If the salesman feels that the quota is too high, he will resent it. A fair quota, tied to a bonus or extra commission for exceeding the quota, will provide this good incentive.
7. Is it fair? Differences in difficulties in cultivating the various territories should be carefully evaluated. Thus, a man with a naturally poor territory is not penalized—he can attain his smaller quota with the *same* effort and application as the next man in a good territory. A good quota plan equalizes the amount of effort and application the men put into

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[3] Adapted from Herman C. Nolen, *Sales Management Guide* (New York: National Wholesale Druggists' Association, 1942), II, 31-32.

their territories by carefully measuring and allowing for the difficulties of the tasks, territory by territory.

8. Is it flexible? The quota must be adjustable to normal variations that occur in any business. Blindly basing the quota on last year's figures will not do the job; good forecast is the heart of a good quota. Periodic review, recommended above, will ensure evaluation and flexibility.

Do Sales Managers Actually Work Out Potentials and Quotas?

More companies are attempting to make forecasts of sales potential. These range from simple estimates of business activity for the forthcoming period by the sales manager to elaborate forecasts by the company's market research department. As one sales manager put it, "We anticipate, but we do not forecast or budget." The sales manager in this case reads all pronouncements of the experts, looks at his own business volume, talks informally with his competitors at meetings to find out what they think, studies his customers and employment in the area, and then forms his opinion of what to expect.

Another sales manager has an assistant sales manager who does the forecast. The assistant subscribes to several economic forecasting services, compiles information from a number of statistical series of business activity, and presents a forecast to the sales manager. The latter calls a meeting of all his supervisors and branch managers. Each supervisor writes an estimate of what he can sell in his territory during the next year. These are combined and compared with sales last year, and a percentage is worked out. Then this "buildup" estimate is compared with the forecast of the assistant sales manager. If the two forecasts do not agree, the supervisors are asked to justify their estimates by explaining their bases. Next the sales manager takes the two estimates to the president and other senior executives in the company, who go over them and give their opinions. Finally, the sales manager pulls together all the opinions and makes a firm forecast. For example, the economic forecast may indicate a 5 per cent increase in sales volume for the next year. The buildup estimates from the supervisors may show a 10 per cent increase. The consensus of opinion among the top executives is that 10 per cent is high, but 5 per cent may be somewhat conservative. The sales manager fixes 6 per cent as the most realistic figure. Upon approval by the president, this estimate becomes the sales goal for the next year. All budgets and appropriations for the period are set with this 6 per cent goal in mind. The supervisors announce the goal to the salesmen, explain that it is a conservative, reasonable estimate of the business to be obtained, and make it clear that each salesman will be expected to contribute to the goal. The increase, however, is not worked up into specific route quotas.

A final example is the case of a large, integrated milk concern. This company has an elaborate system which works as follows:

The market research department forecasts over-all business trends for the next year. It studies population trends in the company area, changes in income, statistics on new building for the next year, changes in business activity, conversion to store business in the area (this is based on house-to-house surveys of the percentage of customers getting milk from stores compared with home delivery in each market segment), and share of the market (after making continual studies on total milk business in each segment compared with what the company gets, the market research department estimates a share of the market percentage and applies it to the potential to get the quota for the territory). The market research study is done for the whole market and for each branch area.

Then, top management—general sales manager, sales managers, advertising manager, and marketing vice-president—determines the market opportunity for the next year. This involves their collective judgment and is based on the research department's over-all forecast of trends. This opportunity, expressed as a percentage over last year's sales volume, then becomes the official sales goal for the company.

The market research department applies this percentage figure to each branch, adding it to last year's quota figures. It is broken down into physical units—so many quarts of milk, half-quarts of cream, pounds of butter, and the like. Then each branch manager divides his particular quota among his supervisors. He is aided by analysis provided for his area by the market research department, but, ultimately, he judges the potentials of his routes by his own observation and experience. Weak route groups may get proportionately less than the over-all increase; strong route groups proportionately more. Next, each supervisor takes *his* quota and divides it among his routes. Again, the supervisor uses his judgment of route potentials in slicing up the quota. There is more flexibility to this system than appears at first glance. Note that it is imposed from above, rather than built up as in the preceding case. The general sales manager indicates that he is concerned with meeting the company-wide quota and making sure that no branch falls down. It is left to the branch managers to determine when specific routes are not meeting assigned quotas. This forecast is altered and adjusted throughout the period that it covers. There is a periodic review every quarter, and the quota is adjusted upwards or downwards as changes in the sales opportunity materialize.

The budget is tied into the sales forecast. When the branch manager gets his quota of sales volume, he makes up his sales expense budget by calculating all costs necessary to reach the sales goals called for in the quota. Each sales branch expense budget is reviewed by the comptroller, the general sales manager, and the various product sales managers and is altered by mutual agreement among the three authorities. After being consolidated with all branch budgets and the headquarters sales overhead, it goes to the president for approval. Once approved, it becomes the authorization of the branch manager to spend the sums in his amended budget.

Chapter 13

The Control of Sales Promotion Operations

The installation of a good method of determining market potentials and of setting quotas provides important control devices by which the sales manager can measure the amount of sales or business in his territories and the amount he can reasonably expect from each territory or route after competition and other barriers have been appraised. By comparing the original quotas with what was actually sold, he can measure how well or poorly each of his men performed. Then he knows where to concentrate his efforts or those of his supervisors to correct weaknesses; by the same token, he knows his strong points as well.

However, his job of control is not yet finished, although some sales managers do not go beyond this point. The modern sales manager knows that efficiency is a ratio between input and output; that is, through his budget, he estimates how much time and effort, translated into money cost, must be put into his territories to arrive at the sales goals set in the budget. However he cannot make realistic cost estimates for budgetary purposes nor determine whether the sales volume obtained was profitable unless he can set up a good cost analysis system. This chapter will explain how to establish and use such a system. Only the broad picture can be covered, for cost accounting is a highly technical subject and is better handled by accountants skilled in costing.

HOW TO SET UP SALES COST STANDARDS

Step 1. *Segregate expenses into proper accounts.* This has probably been done already by the accounting department. The accounting people have developed charts of accounts for all aspects of the business. A chart for a sales department is shown in the Table 13.1. It is set up to give de-

TABLE 13.1

SPECIMEN CHART OF ACCOUNTS

- 51 Selling Expenses
  - 511 Sales Department
    - 5111 Salaries
      - 51111 Executive
      - 51112 Clerical
    - 5112 Travel
    - 5113 Stationery and printing
    - 5114 Telephone and telegraph
    - 5115 General expenses
    - 5116 Postage
    - 5117 Depreciation, office equipment
    - 5118 Invoicing
    - 5119 Rent or space costs
  - 512 Selling Commissions
    - 5121 Salesmen
    - 5122 Brokers
    - 5123 Jobbers
  - 513 Sales Promotion
    - 5131 Salaries
    - 5132 Travel
    - 5133 Display material
    - 5135 General expenses
  - 514 Advertising
    - 5141 Salaries
    - 5142 Printing and electros
    - 5143 Direct mail
    - 5144 Newspapers
    - 5145 Radio
    - 5146 Television
    - 5149 General expense
  - 515 Shipping and Delivery Expenses
    - 5151 Wages
    - 5152 Supplies
    - 5153 Delivery equipment
      - 51531 Wages
      - 51532 Operating supplies
      - 51533 Repairs and maintenance
      - 51534 Depreciation
      - 51535 Insurance
      - 51539 General expenses
    - 5155 Depreciation, other
    - 5159 General expenses
  - 516 Credit Expense

Source: Adapted from J. R. Doubman, *Fundamentals of Sales Management* (New York: Appleton-Century-Crofts, Inc., 1937), pp. 343-44.

tailed information for each type of expense under broad headings. The numerical symbols are arranged in such a way that further classification may be made at any time without changing the general outline. This conventional accounting segregation process can provide useful control information. By comparison with past years the sales manager can see what the trend of expenses for each category has been and can take a corrective action on the basis of such figures. For example, he can see whether sales salaries have increased or decreased. If the former, he can compare the rate of increase with the rate of sales increase, or work out a ratio to determine whether the increase was justified. For example, if sales salaries have been averaging 25 per cent of gross sales for the past ten years, and 30 per cent during the past quarter, the sales manager knows that something is wrong. Was the increased salary expense mainly occasioned by a few territories, or all? Was it due to faulty system of compensation? In most cases, finer tools are needed, more detail is required to enable the sales manager to fix the responsibility where it belongs.

Step 2. *Allocate the expenses.* The sales manager must find a logical means to distribute the ledger expenses discussed in Step 1 to the proper control units. In most cases he will want to measure the cost performance by territories or routes, by the various products in the line, or by the major types of customers served (especially for wholesale routes). Therefore, units of measurement must be worked out to serve as a basis for allocating costs to these categories.

However, costs do not always vary with the amount of sales volume accomplished. Certain kinds of costs, known as fixed costs, do not vary at all with changes in the sales volume; other kinds, known as variable costs, vary roughly with the amount of business transacted. For example, general management and overhead expenses always present a serious problem of allocation, since these expenses go on whether $100,000 or $500,000 worth of business is done. Any basis for allocating these expenses must be arbitrary. How much of the president's salary should be allocated to the sales department? How should the sales department absorb it into territorial, product, or customer categories? The only way to solve the problem is to make studies of the proportion of the president's time devoted to sales problem and to allocate part of his salary on this basis to sales. Table 13.2, on page 238, suggests bases for allocating other overhead charges.

TABLE 13.2

TABLE OF FUNCTIONS AND ALLOCATION BASES

Expense Category	*Basis of Allocation of Expense*
General Management	Prorated to production and distribution in proportion to time spent on each
Fixed charges	Square feet of space occupied
Office equipment	Value of equipment
Home-office salaries	Functions served
Supplies	Functions, territories or products
Telephone, telegraph, postage	Number of calls per function of production or distribution
Direct Sales Management	
Sales manager's office and salaries	Time spent on territories, products, or customers

Table 13.2 (*Cont.*)

Expense Category	*Basis of Allocation of Expense*
Advertising and Sales Promotion	
Newspapers and magazines	Circulation
Radio and television	Number of radio or TV homes in territory
Catalogues and samples	Number distributed in territory, by customer class, or relating to product
Exhibits	Sales quota
Selling	
Salesmen's salaries and expenses	Direct to territory, product or customer
Salesmen training	Number of salesmen in territory; number of new salesmen assigned to territory
Wholesalers	Charge direct
Packing and Shipping	Number of units to territory
Delivery	Direct to territory, product, or customer
Service Department	Direct to territory, product, or customer
Order Department	Number of orders
Discounts and allowances	Direct to territory, product, or customer
Accounting Department	
Billing	Number of invoices
Accounts receivable	Number of active accounts
Credits and collections	Number of active accounts

Source: Doubman, *Fundamentals of Sales Management,* p. 347.

Other kinds of expenses are variable with the volume of sales and usually can be allocated directly to the category concerned. For example, the salary (as well as commissions and other incentive payments) of the route man can be allocated directly to the territory he serves. Delivery truck expense can be allocated to the territory or route on the basis of truck-miles or truck-hours. Advertising expense in the local newspaper can be proportioned by an estimate of what per cent of the total circulation went to the territory in question. The cost of retail display pieces can be charged directly to the wholesale route in which the displays are set up. Credit and collection cost may be allocated in proportion to the number of accounts in the territory compared with total accounts carried. Thus, in most cases, as indicated by Table 13.2, a logical means can be found to allocate expenses to control categories.

Step 3. *Determine standard costs.* In this step, yardsticks or standards must be set up against which to measure performance. The objectives are to measure changes in performance over time and the efficiency with which the various sales functions have been performed, territory by territory, product by product, or major type of customer by major type of customer. If the sales manager knows what the costs *should be* by calculating the standard costs and what they *were* through proper cost allocation, he can determine which persons are producing unsatisfactory results. He can also tell who are doing a better than average job, reward them, and find out *why* they did this better job. Thus, tight *objective* control is secured.

Step 4. *Compare allocated costs with standard costs.* The following are examples of how such standard costs might be calculated and employed for control purposes. Assume a sales manager is analyzing the performance of wholesale milk routes. Last year the figures for all routes for the average quarter were as follows:

Item	*Unit*	*Number of units*	*Total cost*	*Standard unit cost*
Salaries and commissions	Call	60,000	$90,000	$1.50
Invoicing	Line	400,000	2,000	.005
Credit	Order	40,000	10,000	.25
Display material	Piece	20,000	1,000	.05
Delivery	Truck-mile	100,000	25,000	.25
Overhead	Call	60,000	50,000	.83

Suppose the figures for the past quarter are the following:

Item	*Unit*	*Number of units*	*Total cost*	*Unit cost*
Salaries and commissions	Call	70,000	$95,000	$1.35
Invoicing	Line	420,000	2,000	.0047
Credit	Order	50,000	20,000	.40
Display material	Piece	17,000	1,200	.07
Delivery	Truck-mile	122,000	28,000	.23
Overhead	Call	70,000	50,000	.71

Certain useful deductions can be made from the comparison of the two reports. Last quarter, the salesforce got out and sold. Ten thousand more calls were made; compensation was raised by $5,000, but the unit cost is now $1.35 against last year's $1.50, a reduction of about 10 per cent, which reflects very good performance. If, on the other hand, the unit cost had gone above the $1.50 standard unit cost, additional business probably was not worth the added cost of obtaining it. Invoicing performance was satisfactory, being a bit below last year's. The credit expense bears looking into; it took a precipitous rise from 25 to 40 cents. The increase in number of credit orders is about the same as the total increase in number of calls. Perhaps the men cultivated the easier-to-sell credit accounts and neglected more cash customers. Also, increased credit losses probably accounted for most of the $10,000 increase in that cost; evidently, the salesmen did not investigate credit risks carefully enough.

The salesmen should be encouraged to put up more display material in the stores. There were only 17,000 pieces last quarter against the standard of 20,000. The cost of these pieces rose, too. The advertising man should be contacted to determine the reason for this increase. Were the display pieces more elaborate, or did the supplier charge too much?

Delivery costs were most encouraging; 22,000 miles more were covered, probably because of new accounts and more frequent calls on old accounts. Further economies in truck operations kept the cost down to $28,000 and reduced the standard cost to 23 cents per call.

Headquarters overhead, which includes the sales department's share of general overhead, was kept to the same figure, $50,000. Since more calls were made, the unit cost fell to 71 cents, a very satisfactory performance.

Let us now see how performance of a route against standard costs can be analyzed. Assume that Salesman A turns in the following record, and his expenses have been calculated by the allocation system described above:

Item	*Unit*	*Number of units*	*Total cost*	*Unit cost*
Salaries and commissions	Call	$2,000	$3,800	$1.90
Invoicing	Line	14,000	66	.0047
Credit	Order	2,200	792	.36
Display material	Piece	425	30	.07
Delivery	Truck-mile	4,880	1,366	.28
Overhead	Call	2,000	1,420	.71

Comparison of the record of Salesman A with the figures for the last quarter shows that A did not come up to par in several respects. His compensation cost was above standard; either he is being overpaid or he is not making enough calls, or both. His invoicing cost and overhead cost should be at par. He is making a lot of credit transactions, but he seems to be managing the credit loss risk very well, since his unit cost was below the standard unit cost of 40 cents. He took his share of the display material. His delivery cost is out of line—28 cents against the 23-cent standard. He averaged 2.4 miles per call against the standard of 1.8 miles per call. Part of this may be due to greater average mileage between calls, but part may be abuse of equipment and more frequent repairs. The sales manager will have to request to see his repair sheets and other data from the garage. He also should analyze the reasons for the high unit cost of compensation. Salesman A may have difficult territory with customers located great distances from one another. If this is the case, it may explain failure to reach par. On the other hand, it may represent inadequate routing, cross hauling, too many special trips, and other inefficiencies.

DETERMINING LIMITS OF PROFITABILITY

Standard costs are a great aid in determining what part of the sales are profitable and what part are not. Refer to the standard cost figures for the quarter shown on page 239. For the wholesale routes as a whole, it is clear that it is costing $1.35 plus 71 cents, or a total of $2.06 per call, just to defray the salesman's compensation and overhead. Add to this a rough estimate for delivery (122 ÷ 70 = 1.7 miles × 23 cents = 39 cents), credit ($\frac{5}{7}$ of 40 cents = 27 cents), and display material (about one stop in four, or 2 cents), making a total of $2.74 per call. This means that, *on the average,* the salesman must sell enough merchandise at each stop to yield a gross margin of $2.74. That is, the difference between what the milk, cream, butter, and the like cost at the loading platform (including processing, storage, added materials, cost of raw milk and cream purchased, plus share of the overhead costs) and the price the salesman gets upon delivery to the retailers cabinet must total more than $2.74 or the company will not make a cent of profit on the transaction.

A similar analysis could be made for retail routes by employing standard costs. Each category of distribution cost could be broken down as was done for the wholesale route, and route salesmen's performance against each standard unit cost could be measured to reveal both weaknesses and strengths. Likewise, calculations can be made of minimum profitability points. For example, suppose cost analysis shows that distribution costs for the typical retail customer come to nine cents. If the cost of a quart of milk at the delivery platform is 20 cents, and the selling price delivered to the customer is 25 cents, there is a gross margin of 5 cents a quart. A stop to deliver one bottle creates a loss of 9 cents minus 5 cents, or 4 cents for the company. Only when two bottles are delivered per stop are costs covered and something contributed to profit (one cent). Therefore, in both wholesale and retail routes, the standard cost system gives the sales manager not only a yardstick of performance against which to measure the men themselves, but also a standard against which to measure the profitability of accounts by sizes. In the case of a wholesale route, those accounts yielding less than $2.74 are being carried at a loss; on the retail route, a loss is being taken whenever a gross margin of less than nine cents is not being realized. Such accounts should be analyzed to ascertain the reason for the small volume. Investigation of the wholesale route case may reveal that split accounts are the cause of the trouble or that the men are concentrating on too many small, "momma-and-papa" stores. In the first case, the split account stores must be convinced to switch to exclusive service from the company. In the second case, the small stores should be analyzed. Those with a potential for future expansion should be carried, even at a loss, as they may become profitable accounts in the future. Those with little potential may be dropped. This latter action will not harm volume, since these stores did not account for much business anyhow, but it will improve the profit position, for every dollar lost through these small accounts had to be made up elsewhere.

In the case of the retail routes, the sales manager or the supervisor will work with the salesmen to get the small, one-bottle-a-call households to order more or to take other items that will bring the average margin over that crucial nine-cent mark. If this cannot be done after reasonable effort, the salesmen may drop the unprofitable calls. A frank talk with the customer pointing out the expense of providing the usual service may help avoid some of the ill will that might arise.

TIE-IN WITH THE BUDGET

Now that information on costing has been provided, we are in a position to explain how to arrive at good cost estimates for the budget.

The forecast of business for the next period has been made. The market position has been evaluated. Sales volume is expected to increase by 10 per cent during the next quarter, but salesmen will have to make more calls, drive somewhat further, and do more merchandising work. At this time, standard cost figures may be adjusted to anticipate higher or lower costs during the new period. The company anticipates somewhat higher salaries, more money for display materials to tie in with the merchandising program, but less allowance for credit, since it is going to decrease that expense. The rest of the items will be about the same. The expense budget might look something like this:

Item	*Unit*	*Number of units*	*Standard unit cost*	*Total cost*
Salaries and commissions	Call	77,000	$1.42	$109,340
Invoicing	Line	462,000	.005	2,310
Credit	Order	50,000	.32	16,000
Display material	Piece	30,000	.05	1,500
Delivery	Truck-mile	130,000	.23	29,900
Overhead	Call	77,000	.71	54,670
				$213,720

The sales forecast, or more properly, the company quota, is put together with the expense budget with the following result:

Last period sales $1 million plus 10 per cent increase	$1,100,000
Less: Cost of goods sold	800,000
Gross profit or margin	300,000
Less: Distribution cost	213,720
Net profit for period	$ 86,280

Now that forecast sales and budgeted expenses have been combined to determine the over-all profit target and all subtargets leading to the big target have been delineated, there is both planning and control. The company has planned out where it is going and how to get there. Success can be measured after the period is over. By diagnosing and correcting the weaknesses revealed, management has fulfilled one of its most important functions.

TYING IN QUOTAS AND EXPENSE BUDGETS

Standard costs can be used to estimate the profitability of territories or routes. Assume that a quota of $26,000 for wholesale route A has been arrived at by either the breakdown or the buildup method. Remember that the salesman on route A of the example on page 240 was below par. His unit cost for salaries and commissions and delivery was too high. The supervisor has been working with A and believes he has corrected his difficulties. A was making too many calls, and too many of these were on unprofitable accounts. The supervisor has shown A how to cultivate fewer accounts but sell more to each. Accordingly, an expense budget for A has been worked out, using the new standard costs given on page 242 for the whole company. It looks like this:

Item	*Unit*	*Number of units*	*Standard unit cost*	*Total cost*
Salaries and commissions	Call	1,800	$1.42	$2,556
Invoicing	Line	12,000	.005	60
Credit	Order	1,300	.32	416
Display materials	Piece	800	.05	40
Delivery	Truck-mile	3,060	.23	704
Overhead	Call	1,800	.71	1,278

Notice how this territory has been brought into line with the rest. The number of calls was reduced to allow more intensive cultivation of the market. Delivery expense was brought down to the average (1800 calls times 1.7 miles between each call, the over-all average). The estimate of the total costs is now $5,054 for the quarter. After the costs of merchandise and distribution costs are deducted from the quota for the route, the result is:

Sales quota	$26,000
Less: Cost of goods sold (72.7 per cent)	18,902
Gross margin	7,098
Less: Distribution cost	5,054
Estimated profit, route A	$2,044

These figures tell what can be expected from territory A *if* the salesman applies the training from his supervisor and attains the sales quota set for him, and *if* he keeps his costs within budgeted figures. Although these are big "ifs," the quotas are conservatively based on potential (business that should be there which, in turn, is based on careful consumption and business forecasts. The expense budget is based on "pars" that other men actually have attained. Therefore, it is not unrealistic to expect the salesman to meet his quota and budget if he applies himself. If he does not, it will show up in the figures for the next quarter. The comparison between what was attained and what was planned will show where the weaknesses were—whether it was inability to produce sales volume, or inability to keep costs in line, or both. Then management takes further remedial action to correct and redirect. It is a continuing process, one that is never through.

TIME AND DUTY ANALYSIS

The establishment of quotas, standard costs, and expense budgets are fairly common methods of control in modern sales management. Less common, but most useful, is the application of time and duty study to the selling task.

Manufacturing industries have practiced time and duty analysis for many years. Methods engineers took a given process and broke it down into its component parts; they observed workers doing a certain operation and catalogued a certain number of motions. They analyzed each motion for its utility and compared the motions of highly productive workers with those of poor workers. The time taken for each motion was determined through stop watch observation, and averaged out for a number of workers doing the same job or duty. Useless motions were dropped; an ideal method, employing only useful motions in proper sequence, was worked out. The workers learned this more efficient standard method, and the process was retimed. A comparison of the old time with the new enabled a measure of enhanced efficiency. Moreover, the new standard served as a measure of individual efficiency; norms of productivity were set up—a efficient worker should turn out so many units per hour. In doing so he should go through a certain number of operations, each requiring so many seconds to complete. By timing a subnormal worker, the supervisor determined just where he was falling down and could correct the superfluous movements or bring the proper motions up to the norm. Note that time and duty analysis has two dimensions: (1) duty—the functions of the worker are observed and broken down into their component parts, the usefulness of each part or motion is determined, and useless motions or operations are eliminated; (2) time—each operation is timed carefully, a number of workers are timed to ascertain the average worker's time for each operation, the best way to do the complete task is determined, and the average time per worker is established. When the duties and proper times for each duty are put together, the norms against which worker efficiency is measured are obtained.

For many years sales executives refused to apply time and duty analysis to the sales functions, even though such analyses were bringing dramatic increases in efficiency and reductions in cost in the manufacturing field. They argued: "How can you standardize the selling process? There are so many kinds of selling. Every sales problem is different. You cannot develop a routine method for selling as you can for assembling a generator or running a drill press."

Although everyone recognized the validity of the viewpoint that the selling process cannot be routinized in the same way as most manufacturing processes, certain pioneers set out to overcome these inherent difficulties. Drs. Herman C. Nolen (now President of McKesson & Robbins) and James H. Davis of Ohio State University, made careful studies of the activities of wholesale drug salesmen. Davis' book *Increasing Wholesale Drug Salesmen's Effectiveness,*[1] was the result of these studies; it is now a classic in the field, for it showed that useful time and duty analysis could be made of the sales process. In their studies, Nolen and Davis first broke the typical wholesale salesman's work down into specified activities (interviewing, waiting, traveling, idle time, and others). Then they sent observers out with a good cross section of the wholesale drug salesman for a representative period to determine the amount of time spent on each activity. These time and duty analyses could be combined as desired to study various relationships. The use of sales records would enable a comparison of the best salesmen's activity profiles with those of the poorest salesmen. In the drug study, the ten most efficient country salesmen were compared with the ten least efficient with the following results:[2] proportion of time awaiting interview, 7.5 per cent best, 20.5 per cent poorest; broken interview, 10.0 per cent and 15.3 per cent; general conversation, 8.5 per cent and 11.7 per cent; idle time, 0.4 per cent and 1.8 per cent. The first group spent 73.6 per cent of call time in essential activities; the second group only 50.7 per cent. Davis points out that profits of the most efficient salesmen are not the optimum standards, either; even better results might be achieved in time. However, they are practical standards against which the poorer three-fourths of the salesforce can be measured. By training the salesmen to reallocate their time and duties according to the practical standards set by the men of proven ability, the sales manager can institute effective measures of control and correction.

DIFFICULTIES MET IN TIME AND DUTY ANALYSIS

A major problem is the collection of information. Some sales managers have asked the salesmen to keep their own records of their time spent each day on the various selling activities—delivery, collecting, loading, unloading, delivering sales presentation, and the like. This method has had poor success; the men do not like to keep records, and they will not do so accurately. For example, they are not likely to record such things as idle time very well.

Sales supervisors can travel with a certain number of men and, without their knowledge, record how these men spend their time. Although this is an inexpensive way to get the data, it adds another duty to the burden of the supervisor.

The best way to collect information is to hire analysts to go about with the men and make careful observations of activities performed and time spent on each. Although the presence of a stranger may confuse the men for a while, they will become accustomed to it, and the results will be more accurate.

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[1] (Columbus, Ohio: Ohio State University Press, 1948).

[2] *Ibid.*, p. 74.

USES OF TIME AND DUTY STUDIES

Such studies are useful in measuring and establishing proper patterns of physical activity. Route potentials and quotas set productivity goals; sales cost analysis controls expenditures of dollars for sales activities; time and duty analysis evaluates the activities themselves and the efforts of the salesmen. All three measurement systems are interdependent; if the salesmen are misapplying their time, they will not make their quotas and their costs will be out of line. Time and duty analysis enables the sales manager to determine *why* costs are out of line or quotas are not reached. Therefore, it is vital to a balanced job of control.

Many standards can be set up. The following are probably the most important:

(1) *Number of Calls per Day.* The particular conditions of the territory must be studied carefully. For example, wholesale routes should have a different standard from retail routes; densely populated city retail routes require a different standard from sparsely populated country retail routes. After proper classification of territories, ranges of performance can be studied. The norm should not be what the genius can do but what the good, average salesman can accomplish under normal conditions of work.

(2) *Time Spent on Selling Different Products in the Line.* Salesmen frequently allocate selling time among products improperly. They may devote little time to long margin, high profit products and too much time on low profit items. Proper measurement of effort can result in profitable corrections.

(3) *Time Spent on Various Kinds of Activities.* Proper balance of activities is the heart of time and duty analysis. Norms or pars determine how the efficient salesman should allocate his time. Deviations are investigated, and if they cannot be explained by special conditions in the territory, they are corrected. For example, if the norm for time spent on selling new items for a certain route was 5 per cent of a salesman's time and a certain salesman only spent 1 per cent on this activity, there should be an inquiry. Although the man may be doing a fine job otherwise, his sales or cost figures do not show it. Yet, more time devoted to selling new items may enable him to go *over* his quota rather than simply meeting it as before. Thus, time and duty analysis can serve as an independent check on sales performance over and above the quota. It is easy to over- or underestimate a quota. If a man is not meeting his quota and yet is balancing his time properly among the various tasks, the quota was probably in error in the first place. However, poor quota performance, plus poor time and effort allocation point to a substandard salesman.

(4) *Redrawing Sales Territories and Routes.* Time and duty analysis is useful in revealing which routes are too small, or too large. If too small,

delivery time will be below normal, calls and accounts will be few, and the like. If too large, too much time will be spent on delivery and collecting, too little time on selling and servicing, and other inefficiencies.

(5) *Better Training.* A new man cannot be convinced of the best way to perform his activities and the right amount of time to spend on each unless there is objective evidence to support the trainer's ideas. Time and duty analysis provides the trainer with the proper data to show the new men how to do a balanced job and to get them into efficient activity patterns from the start.

(6) *Tie-In with Point System of Compensation.* One way to provide incentive is to award points to the salesman for performing his job correctly. The sales manager can use the norms set up through time and duty analysis as bases of his point awards. Some bases might be: so many points for each customer obtained over the route norm; so many points for every new customer over the norm; so many points for high profit items; and so many points to holding collection time below the norm.

Chapter 14

Coordination of Promotion: Sales and Advertising

Advertising and sales promotion are important adjuncts to the personal selling program of a company. In the smaller company, the sales manager will handle these functions as well as personal selling, and his budget will include estimates of the two items. In larger companies, advertising and sales promotion are often split off from the sales department. Sometimes an advertising manager will have his own department and budget. Although the sales promotion function usually remains in the sales department, the largest concerns may provide a separate budget under a sales promotion manager.

Whether the sales manager has advertising and sales promotion under his jurisdiction or not, he must do a careful job of coordination and planning. The whole promotional effort is really one—all channels of communication with the customers are important; all attempt to inform the public and influence it to prefer one brand of product over another or to think well of the company behind the product.

PLANNING THE ADVERTISING BUDGET

The sales manager usually includes expenditures for advertising in his own budget. If the advertising budget is separate he will have an important role in its preparation. He must be sure that it is adequate, but not so large as to take needed money from personal selling activities; that is, he should help to secure a balance between advertising and selling that will provide each activity with its proper share, but no more.

No one has ever worked out an ideal, scientific method of determining the advertising appropriation. There are books on the subject.[1] The methods discussed in such books are helpful guides to the sales executive in directing his thinking, but appropriation really depends on informed judgment, backed by good, solid personal experience. The methods discussed below help, but they cannot solve the problem mechanically for the sales executive.

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[1] One is A. W. Frey, *How Many Dollars for Advertising* (New York: The Ronald Press Company, 1955).

METHODS OF DETERMINING THE SIZE OF THE BUDGET

1. *Percentage of Sales Basis*

This is one of the oldest methods and is still widely used. It is usually calculated as the ratio of advertising expenditures to gross sales. Data are compiled to determine what percentage of the sales dollar was spent for advertising in the past. Industrywide figures are obtained, if available, to see how the company compared with others. (Some trade associations compile averages or ranges which are made available to the members; published sources are fragmentary. The Dartnell Corporation has compiled advertising cost ratios from private sources.[2] Then the typical or average relationship is applied against past sales or future sales.

In the past sales method the budget is made for the next period by applying the total sales for last year to the percentage that advertising expenses bore to costs in that year. For example, if sales were $1 million and 4 per cent was spent on advertising last year, the budget for next year would be $1 million times 4 per cent, or $40,000. This method is a tidy way to appropriate, but it is too inflexible, since it does not allow for growth factors.

A better method is to apply the percentage to the sales forecast for the next year. For instance, suppose sales were $1 million last year, but the official forecast is $1.1 million sales the next year. Four per cent of $1.1 million would make an appropriation of $44,000. The extra $4,000 allows for additional promotional effort needed to get the additional $100,000 of business. This assumes, of course, that this additional sales volume can be bought at 4 per cent; increased sales resistance of competitors may require more than $4,000 to get the extra $100,000 sales volume. This is the major weakness of the percentage of sales method.

2. *Competitive Parity Method*

This method involves spending the same number of dollars for advertising as major competitors. The idea is to match the typical competitor dollar for dollar and thereby resist his attempts to win customers. However this method does not allow for market expansion, but concentrates on merely holding onto present business. Also, it is difficult to find out how much competitors have been spending for advertising.

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[2] *Sales Managers Handbook,* 6th ed., p. 384.

3. *Plow-in Method*

This method involves plowing the profits from last year back into the advertising for the next year. It is used only when a new company is entering the field and wishes to wrest a share of the market from its competitors. If an established company were to use the method, the result would be overspending and unbalanced expenditures on other things, such as the personal selling program.

4. *Opportunistic Method*

This method is really not a method at all. Advertising expenditures are made through the year whenever it seems wise. The result is poor timing, unbalanced schedules, and use of inappropriate media. Unfortunately many small companies use this method. Any budget, however modest, requires careful planning, or waste will result.

5. *The Task Method*

Although this method seems the most inexact, it is the best. The company makes careful sales forecasts and lays out its specific goals for next year—it will get such a per cent of the market, achieve a total sales volume of so much, sell certain amounts of each product in the line, and the like. Management determines how much expenditure will be necessary to achieve these goals, taking into consideration such factors as incomes of the consumers and foreseeable competitive pressures and moves. It also ascertains how much extra effort of salesmen, sales promotion men, and advertising men will be needed. Then appropriations are made to provide each function with sufficient money to do its part in achieving the goals.

This is a difficult method to use properly, as it is not easy to translate effort into dollars. When backed by judgment and experience, however, it is the best method, since it is dynamic and forward-looking.

Other methods are used occasionally, but these are not widely employed and will not be discussed.

SHOULD AN ADVERTISING AGENCY BE USED?

Advertising agencies are specialists in marketing and advertising procedure. They have an outside viewpoint and often acquire skills from other accounts that help in solving problems. They have the advantage of division of labor; they can hire specialists in copywriting, art, media selection, and research—people whom a company could not afford to keep on the payroll. Therefore, they can do a professional job in planning and executing an advertising campaign. They can help with the budget, prescribe the best media to use, fabricate merchandising plans, and provide marketing research services. This is worthwhile if the company: (1) does national advertising; (2) has an adequate advertising budget (six figures or more); and (3) has one or more good agencies in its vicinity. Many small cities and towns do not have good agency services available; if this is the case, the company should do its own advertising work. If a company hires a distant agency, it will have problems in communicating with it. Many good agencies are not interested in an account with a small budget; it simply is not profitable enough for them to be worth the trouble. Finally, if most or all advertising is local, the publishers will not give an advertising agency its 15 per cent commission for space placed in the medium for the client; the latter must pay a fee for the services of the advertising agency. In such a case, the advertiser must weigh the advantages of the agency's services against their cost. This problem is not so acute in national advertising; the advertiser pays the same rate for space or time whether he uses an agency or places the work directly. It always pays to use a good agency under such circumstances.

If a company uses an agency, it should maintain close collaboration with it. A careful evaluation of its reputation before appointment must be made to ensure the best service for the money. Thereafter, careful track of its work must be kept. Ability, integrity, service, and cooperation are good bases on which to make such a judgment according to one authority.[3] Of course, actual results in increased sales is the measure of measures of agency performance, but it is never easy to use this criterion except in general terms.

A company should investigate the reputation of an agency before it chooses one. It should ask the agency for a list of the companies it serves and contact some of these to see whether they are satisfied with the agency's work and results. Informal inquiries with local organizations, such as the Chamber of Commerce, may provide valuable information. The credit of the agency may be checked through Dun and Bradstreet or another good credit organization. The company can find out if the agency is a member of the American Association of Advertising Agencies; the four A's, as it is called, has high qualifications for membership. Finally, advertising agencies get new business through what is known as presentations; the company can ask several good agencies to bid for the account and thereby compare the qualities of one agency against the other and make a more effective choice. Ethical agencies will not cut their prices, but they will set up meetings in which their principal officers describe their organization, introduce their key men, show past campaigns they did for clients, and describe how they would handle the company's account if they got it. Responsible elements in the advertising industry are trying to stop agencies from giving elaborate presentations, known as "speculative presentations"; these are expensive and the money comes out of services that would otherwise be provided for existing clients. A company should beware of speculative presentations; the ethics of the agency which makes one may not be too high.

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[3] Thomas L. Herbert, IV, *What We Expect from Our Advertising Agency,* 1955 Milk Industry Foundation Convention Proceedings (St. Louis, Missouri, October 1955), pp. 28-31.

As noted before, the agency is entitled to a 15 per cent commission on space bought for the client in the publication, broadcast, or display media. For example, if the agency produces an advertisement for a company and places it in a newspaper, the publisher bills the agency $1,000 for running the advertisement. After the agency receives the bill, it presents the bill to the client. The client pays the $1,000 to the agency, and the latter remits the net, less 15 per cent, or $850, to the newspaper publisher, and keeps the commission, $150, for its services in doing the art work, writing the copy, ordering the plates and typography, buying the space, and the like. It seems peculiar that the agency would be paid by the publisher, a supplier, rather than by the client, for whom it works. This custom goes back to the beginning of the agency business when the agencies were agents hired by the publishers to sell space for them. The advertising agencies gradually shifted to working for the advertisers, but the old payment custom survived.

However, there are many charges that any agency will bill the client for in addition to its revenue from commissions. It will pass on the cost of photoengravings, setting type, mats, and electrotypes to the client plus 15 per cent, for these kinds of suppliers do not grant a commission to the agency. People who create and produce direct mail and point-of-purchase materials will not do so either; the agency must charge the client the commission instead. If the agency does any special work for the client beyond the usual scope of client service, it passes on the cost of such work to the client. Examples of this might be special market research studies done by the agency's research staff, extra merchandising help, sales counseling, and handling the public relations for the client.

The agency may handle the account on a straight commission basis, fee basis, or a cost-plus basis. If the account is large enough and places enough advertising with media granting commissions, the agency may be able to handle it from the revenues accruing from commissions, plus extra service charges described above. If it is not large enough, the agency may cost out the account and come up with a fee that will cover all handling costs and yield a profit. The client usually pays this flat fee, say $5,000 a year, to the agency by installments due at different times during the year. For this fee the agency handles all the work. However, it may place some advertising in media from which it receives a commission. If so, the agreement should stipulate that the client is credited back with such revenue. For example, suppose that in the course of handling the account for a $5,000 fee, space was bought in commissionable media to the extent of $3,000 in commissions paid to the agency. The latter should deduct the $3,000 from the $5,000; the client would make a net payment of $2,000 to the agency for the fee charge.

The cost-plus basis is not popular for the following reason. In this system the agency keeps strict account of the time devoted to writing copy, doing art work, developing media plans, and the like for the client. The various costs are passed on at an agreed rate (say $10 an hour for the artist's time) to the client plus an agreed percentage of profit. Like any cost-plus contract there is danger that the agency will pack charges and use wasteful procedures just to run up the costs, for the greater the costs, the greater the agency's profit. Because of this defect, it is good to stay away from cost-plus contracts.

CHOOSING ADVERTISING MEDIA

When the sales manager places advertising directly, without the services of an agency, he must become an expert on the weaknesses and strengths of the various advertising vehicles in his area. There are many ways to reach the public, and each has its own peculiar merits and shortcomings. Since it is difficult to properly evaluate all factors and arrive at a logical decision, a good agency is helpful. Specialists in its media department do nothing but study the various media and become expert in them. They study the client's promotional problem and select media that will provide balanced coverage and reach the correct prospects, at minimum costs. The money saved by skilled media buying may far exceed whatever the agency costs the client, and the agency may cost him nothing if it gets all its revenue from commissions from the publishers.

The problem of media selection is somewhat different if the advertiser is a national rather than a local company. Some companies are so large that they cover the whole country, or large areas of it. They can engage in national advertising because there is a local unit of the company to serve every prospect, no matter where he lives. They have budgets running into the millions and use magazines, network television, radio, newspaper, outdoor advertising, and car cards in the major market areas they serve. Since they have so many markets to cover, they spread their advertising dollars quite thinly in regard to any one market. The local advertisers, being confined to one market, can concentrate their dollars exclusively in that area and use just those local media that best serve that market. Local advertisers can often outspend their national advertiser competitors in their own markets, and get much better coverage because they can use local media which have heavy local penetration.

The national advertiser finds newspapers are very expensive to use on a national basis; he may use magazines instead. Yet, in a given city, only one-third of the families may read such a popular magazine as *Life,* while 95 per cent of all families may get the local newspaper. The local company can afford to advertise in this newspaper, thereby reaching nearly three families to the one reached by the national advertiser.

In addition to the local newspapers, the local company can use spot advertising over local radio and television stations. Time for 20- or 30-second announcements is inexpensive over these facilities, and they have a good local market penetration. For the larger local companies, newspapers, radio, and television usually take up the greater share of the advertising dollar. Added to them are point-of-purchase materials—signs and posters put up in the store, folders given out to customers, and similar materials must be provided. These companies also have advertising specialties—calendars for the kitchen wall, monthly diaries for the phone stand, recipe books featuring products; all these stay around for a long period and provide multiple exposure of the advertising message. Then, a small percentage of the budget is allocated for the odds and ends—classified telephone ads, truck cards, signs for the window, and direct mail folders.

In summary, there are no over-all rules for apportioning the advertising appropriation among the various media. Each market situation must be studied; and the ability of the various media available must be appraised to ascertain the best way to reach that market; then, the two are "married" to get the greatest coverage for the money. Some advertisers prefer to concentrate on one good medium and dominate it; others prefer a balanced choice to hit the prospects in as many ways as possible. Each system has its merits, but the majority of advertisers seem to favor the balanced medium choice.

SELLING THE ADVERTISING PROGRAM TO THE SALESFORCE

When advertising plans for the forthcoming period are completed, they should be explained to the salesforce in a sales meeting conducted by the advertising manager, or the sales manager if he handles the advertising. If there is an agency, its representatives should collaborate in the meeting and explain their part of the work—media to be used, copy themes to be employed, special promotions, and the like. There are two purposes to this: (1) to orient the salesmen—they should know what is going on for their own information; and (2) to enhance salesman morale. If the salesmen are impressed by the magnitude and probable effectiveness of the advertising program, they will feel that they have good backing for their own selling efforts. The salesmen like to feel that the company is standing behind them and giving them all possible aid in performing their difficult tasks.

COORDINATING THE ADVERTISING AND PERSONAL SELLING EFFORT

Many sales managers fail on this aspect of their work. It is not sufficient to tell the salesmen about the advertising campaign in its initial stages. If a follow-up is not made, timing will be affected. A special promotion for a product may be kicked off by advertising. Unless the salesmen are informed of a special promotion of a product by advertising, they may not tie in their own efforts behind the product in question and thus will lose much of the effect of the advertising working. The salesmen must not only know a schedule of promotions, but also be sold on these each time they break.

Another reason for coordination is to make sure that the advertising and the salesmen tell the same story. The salesmen can use good copy slants developed by advertising in their own solicitations; in fact they *should* use them to ensure greater impact on the customer. For example, one company used its clever advertising theme, "You can't beat our milk, but you can whip our cream." The salesmen made demonstrations to prospective customers in their homes, pouring the top off the bottle and showing the housewife how the cream was rich enough to whip. This kind of tie-in is most valuable; it delivers impact and puts the company ahead of its competitors, as its product is given a unique attribute in the public mind.

EVALUATING THE EFFECTIVENESS OF THE ADVERTISING PROGRAM

This is one of the most difficult tasks management must do. It is an aphorism in advertising circles that he who finds some foolproof way to trace advertising effectiveness will make a million dollars. The problem is similar to that of joint costs. The sales manager does many things at once to promote his sales. He uses personal solicitation, all kinds of advertising, and perhaps a public relations or publicity program as well. If sales increase, how can he determine whether the increase was due to greater effectiveness of his salesmen, advertising, publicity, or any combination of these? Moreover, the sales increase may have been due to external factors—better incomes, increased per capita consumption, a population increase in his area. Unless he allows for these external factors, he may take credit for a sales increase that was not at all due to his superior performance.

The solutions are imperfect, but some systematic evalution of sales performance must be made. Developing market potentials and a good quota system are answers as far as his salesforce is concerned. He may evaluate his advertising by using the following systems.

1. *Market Area Tests.* This system is not feasible for small concerns that cover only one market, but large concerns covering several distinct markets can conduct such tests. Suppose a sales manager is thinking of trying out a certain medium he has not used before, such as a radio spot. He keeps on with what he has been doing in the other markets, employing the same media and soliciting the market with his salesforce as usual. In one market, he puts on a radio spot campaign, being sure to keep all other selling efforts normal in that market as well—same media, same level of personal selling. Then he carefully watches sales in the nontest markets and in the test market. Suppose sales rise in the test market by 7 per cent during the test, but they rise by 3 per cent in the rest of the markets. The sales manager can deduce that the radio spot campaign was responsible for 7 per cent minus 3 per cent, or 4 per cent, of the increase. He then calculates additional net margin on the added 4 per cent of the business for all markets and decides whether the general use of a radio spot would pay. For example, if the additional profit from the 4 per cent increase would

come to $5,000 per year and the radio spot campaign for all markets would cost $10,000, obviously, he would not use it. If the reverse were true, he would use it if the lower profit rate were satisfactory to management for the additional sales obtained. He should be sure, however, that some other factor did not throw the figures out, either in the test market or in the nontest or control markets.

2. *Changes in Sales Over Time.* The oldest method of evaluation is to try out something in a market to see what effect it has on sales. Small concerns covering only one market can use this as well as large companies. The "cut-and-try" method has many applications. As far as advertising goes, the sales manager can try out a new medium, adapt a new selling argument or "pitch," or try spending more on some media and less on others. As in the test market, he attempts to keep all other forces constant —the same merchandising, products, and personal selling pressure. He tries out the new plan for a period and compares sales with the preinnovation average to see what the effect was. The salesman should not assume that external factors will not change over the time of the experiment. Changes in the market and in competitive pressures usually throw the results off. People simply will not stand still; competitors will not be "good boys" and keep their selling efforts constant. Most market research people are skeptical about the change in sales volume over time method. Yet, if the sales manager can evaluate the external forces with some accuracy, this method may give inklings that are better than pure, uninformed judgment. That is, imperfect as it is, the method is better than none at all if utmost caution is taken.

3. *Store Audits.* The sales manager can readily observe changes in sales patterns on his retail routes. Because he has salesmen contacting the retailers directly, he can also quickly learn of changes on wholesale routes. If he trains his salesmen to be observers, they will report new products of competitors and give ideas of their relative standing in the stores on their routes (per cent coverage of the company's brand versus those of competitors and estimated volume of each competitor).

Some large, multi-market companies may find the services of a good store audit, such as that run by A. C. Nielsen Company of Chicago, useful. The Nielsen concern regularly audits more than 6,000 food stores in the country. A subscriber to the service can get a wealth of information from these reports—share of the market, per cent coverage of retail stores, and average daily or weekly sales volume, market by market, for his and each competitor's brand, broken down by type and size of store. If a Nielsen subscriber wishes to see the effect of a new advertising campaign or a new medium, or try out a new product in a test market, he has immediate and detailed figures from the audit as to what happened, how much more was sold, by which type of store, by what store size, and so on. It gives him precise figures when carrying on a test area campaign. Few small companies can afford the great expense of such store audit services. In a few areas newspapers run store audits as a service to their advertisers; the sales manager can take advantage of such audits if the local paper runs one and he advertises in it.

4, *Readership and Listenership Surveys.* Some organizations provide readership or listenership surveys for management. These concerns interview a cross section of typical readers of magazines or newspapers, or listeners to radio or television programs, to ascertain what advertisements and commercials the reader and listener were exposed to. Supposedly, the greater the number of readers of or listeners to the advertising, the greater its sales power. This supposition is not valid, since it does not measure whether the reader was motivated to purchase the product as a result of being exposed to the ad. The advertisement may attract attention through some gimmick or device and be remembered, but it may not make the customer any more disposed to buy the product than before. It may have little sales effectiveness even though it has a good readership or listenership rating.

Readership or listenership services are mainly useful to national advertisers who sell in many markets and employ national media. They do not cover local markets adequately enough to be beneficial to local advertisers, even if the latter could afford the service in question.

The Daniel Starch Organization interviews for readership of many magazines and a few large metropolitan newspapers. The reports tell what proportion of the people interviewed remember having noted an advertisement, what per cent read most of the copy, and how many associated the ad with the company. They also give cost estimates of how many noters or readers were reached per dollar spent for space in the magazine. The Robinson-Gallup Impact Survey purports to bring out memory factors—how well the advertisement impressed the memory of the readers. The various listener surveys, such as Nielsen, Pulse, and ARB, give figures on the popularity of programs sponsored by the advertisers. A good rating presupposes a good exposure to the commercial message.

In summary, these surveys are of some value to national advertisers in evaluating the exposure, but not the sales power, of their advertising. They may be useful to show the results of experiments with copy themes and formats (cartoon form versus straight ad), effectiveness of different media in delivering readers (*Saturday Evening Post* versus *Life*), and differences in readership by areas of the country (popularity of same ad in the South versus the West). The surveys have little to offer the small advertiser because of the expense and lack of local media coverage.

Advertising Is Still an Art

Although many have tried to reduce the advertising process to pat formulas, it is still an art rather than a science. It depends so much on creativity and ingenuity. Advertising creativity cannot be regimented or done "by the numbers." Ideas come unbidden to good commercial artists and copywriters. These people should have free rein. Some ideas may have to be vetoed, but others may give the advertising a freshness that will make it stand out from that of competitors. No one has to sell the power of advertising; it is well known. All companies should employ it as an integral part of the over-all promotional program. The big problem is to use it correctly, for advertising is expensive and a source of great potential waste unless carefully controlled and evaluated.

Recent developments such as the use of linear programming and computers to better allocate advertising dollars hold great promise. Tools such as this will enable the practitioner of advertising to concentrate on the truly creative and to be more confident that his message is being presented to the correct potential audience.

Chapter 15

Coordinating with Other Company Activities

NEED FOR TEAMWORK

In many companies today each major executive runs his department without much reference to what other divisions of the business are doing. This situation was prevalent in past years when companies were organized on a strict functional basis; each major executive had the responsibility of his respective function—sales, finance, production, credit, advertising. The president or general manager coordinated the whole business. These two top executives frequently were too busy to do a good job of coordination, especially when the firm grew so large that the chief executive simply could not follow the complex ramifications of the business.

The resultant lack of coordination meant that many discordant notes spoiled the harmony of the operation. The production department carried on new product planning and development without much reference to the sales department to determine whether such new products could be sold, or how their production was to be scheduled to meet customer needs. Left to its own devices, the accounting department failed to set up its accounts in a manner that would reveal where sales were and were not being made, whether territories were profitable, whether costs were out of line for products, what types of customers or territories there were, and what over-all break-even points were for different sales volumes by territories or types of products. Since he was not responsible to the sales manager, the credit manager often worked at cross purposes with sales, turning down accounts on which thousands of dollars of sales might have been made, for the sake of saving a few dollars in bad debt losses.

Today modern management procedures make certain that a good working coordination is maintained among *all* departments of the firm. Working relationships are prescribed *between* departments. Coordination is not merely imposed from above; it is assured by setting up proper horizontal relationships among the major departments of the business. The proper working out of these relationships within the company will aid in securing effective coordination, without which no concern can operate with maximum efficiency.

I. COORDINATION WITH ADVERTISING

The necessity for close coordination between sales and advertising is so great that a separate chapter (Chapter 14) is devoted to it. Only the major aspects of this integration are reviewed here.

A. *Common Goals*

Both sales and advertising should have identical goals. These goals are naturally worked out when both functions are under the sales manager. If they are not, the sales manager and advertising manager must get together and agree on the major objectives for the forthcoming period. Such goals are often set when the over-all sales forecast and opportunity are worked out. They may be infinite in number, depending on the position of the firm and of the industry. For example, the goals may be to increase sales by 10 per cent over last year, sell more of certain products, get 1,000 new retailers, or expand into given territories. Whatever they are, the basic objectives must be agreed upon by both sales and advertising, or one will be working at cross purposes with the other.

B. *Relative Roles*

In some lines of business (patent medicines, cosmetics) advertising has the major responsibility of creating consumer preference for the brand, and personal selling has a minor or supporting role. For other products, fresh milk for example, the emphasis is on selling, with advertising playing a secondary role. In the latter case the customer is familiarized with the brand name and a few simple associations about the product; the real creation of demand is left to personal selling. The control of relative emphasis is usually exercised through the over-all promotional budget. However, the relationship should be made clear or the advertising manager or agency may attempt too ambitious a program of advertising or adopt the wrong "pitch" to harmonize with the personal sales effort.

C. *Timing*

Good timing of the promotional effort is all-important. The authors have seen many instances where new products were advertised before their distribution set-up was organized. In one such case, ill will was engendered because customers could not obtain the new product in their stores after the advertising had impelled them to want it. In another case, a certain foreign soft drink manufacturer introduced a new flavor to the

American market through a big advertising campaign long before it had placed the product in the retail outlets. A clever American soft drink manufacturer quickly made up a similar product, got it into most of the proper retail outlets, and cashed in on the demand created by his competitor. Professors Nolen and Maynard tell of a large concern which inaugurated an advertising campaign needing heavy dealer help at a time when the sales department was holding its annual convention.[1]

These are extreme cases, but they illustrate how important good timing between sales and advertising can be. Like a football team, each element must do its part at exactly the right time.

D. *Choice of Media*

The sales manager knows better than anyone else in the company what the extent of the firm's market coverage is, what parts of its market are weak, and what sectors are strong. He should be consulted by the advertising manager or the advertising agency about media choice. He must make sure that the media recommended by the advertising people cover only the area in which the company sells. A heavy source of waste is the employment of media in areas which the company does not serve. He can call for heavier advertising coverage in weak areas; he can suggest savings in expenditures in strong areas which do not need advertising support. Finally, in companies without organized marketing research sections, the sales manager can help the advertising people by making informal studies of the impact of the company's advertising. He can ask his salesmen to question customers briefly when they make their collections to ascertain whether the customers are aware of the advertising, and if so, what sales messages are "coming through." If several media are used in a market area, some judgment of the relative impact of each can be obtained. This is not so exact as a formal media impact study, but it may reveal some salient factors.

E. *Salesman Support*

The two departments should cooperate closely in providing support for the salesmen. Calendars, recipe books, leaflets, and store display material must be designed to reinforce the personal sales message. Proper design and timing cannot be secured by advertising unless sales works closely with the campaign.

II. COORDINATION WITH CREDIT AND COLLECTIONS

In most lines of business the credit department is separate from the sales department. In such cases serious problems of coordination between the two departments arise. The salesmen, being volume-minded, will sell accounts that are risky credit-wise. They are reluctant to question customers on their credit status and fail to inform the credit department about changes in risks that they are in a good position to observe.

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[1] Herman C. Nolen, *Sales Management Guide* (New York: National Wholesale Druggists' Association, 1942), II, 31-32.

On the other hand, the credit manager may be too expense-minded; he may turn down too many accounts that would probably pay for the sake of saving a few dollars in bad debt losses. The authors know of an actual case in the patent medicine field in which the ultra-conservative credit manager boasted of less than $100 per year bad debt loss on a business of several million. A quick analysis of accounts which were turned down revealed that several hundred thousand dollars of volume had been lost involving a profit of between $10,000 and $30,000—all for the sake of a few thousands in possible bad debt losses.

In some businesses the credit and collection function is directly under the sales manager and his own men perform the function. The sales manager can set his own credit policies, police collections, and see that proper balance is maintained between sales volume and bad debt losses. In a study of the milk processing business few sales managers were willing to reveal actual figures, but those who did mentioned a rate of credit loss as low as one cent for every $8 to $10 of volume to as high as 0.1 per cent. This is wonderful performance compared with credit loss rates in other lines of business. This success is due in part to the following factors. (a) Good adjustment of credit periods to pay periods of customers. Milk companies collect weekly in sections composed predominantly of wage earners. They open monthly customer accounts, billed from the office, only for superior risks in high-income suburbs. Some companies avoid all accounts billed from the office because personal collection by the salesman is the only time he sees the customer, the only opportunity he has to cement customer relations and sell extras, which may comprise 15 to 20 per cent of volume but account for between 30 and 40 per cent of profits. (b) Good follow-up on delinquent accounts. Salesmen are trained to keep accounts current. If the accounts do fall behind, the back amount is prorated over future collections until paid. After the salesman has bent every effort to collect from a delinquent account and has failed, he should turn it over to his foreman or supervisor. The supervisor, experienced in such matters, can usually collect the account or eventually work out a plan to clean it up. The major problem is the person who runs up a bill, then drops the service and victimizes a competitor in turn. To avoid such people, the credit assistants of milk companies in certain cities exchange credit information (called "ledger experience"). Forewarned, the next company knows what to expect and can be on guard for such chronic "deadbeats." Delinquent accounts are kept on the books for one or two years before being written off as a bad debt loss. Sales managers stated that few remained uncollectable after such a period.

III. COORDINATION WITH PRODUCTION DEPARTMENT

The sales department is closer to the consumer than any other department of the business. It can evaluate best what qualities customers want in the product, what they do not like, what sales trends for different products are, and what competitors are doing productwise. The sales department is the first to apprehend moves by competitors. When a competitor introduces a new product, the salespeople should watch it closely to see how it does. Production should be informed of the development as soon as possible and should secure an example of the new product, determine how it is made, cost it out, calculate what facilities would be needed to produce it, and the like. Production then knows what it would cost to make it and whether it would be profitable at prevailing prices. When sales sees that the new product is successful and that the company may lose customers if the item is not carried, it is in a position to confer with production. At this point firm figures on probable sales volume can be developed; production, being forewarned, is now in a position to estimate costs at the potential volume given by sales. Hence a logical decision can be made about whether to add the product to the line, but such ideal timing cannot be effectuated if sales has not kept production fully informed from the beginning.

Serious conflicts can develop between the sales and production departments. The salesman is by nature optimistic. He wants to compete to the fullest in his market area. Being a salesman, the sales manager tends to recommend additions to the line, sometimes without too much regard for costs or relative profitability of the items in question. The production man wants to keep the line simple, as he sometimes sees his costs rise when he has to make a large number of items, many of which are produced in small volume at high unit costs.

This basic conflict of views is usually resolved by taking cases to the general manager or president for decision. By this point, each party is committed to a stand; the resulting decision involves "loss of face" for one side and creates hard feelings. Thus it is best to avoid bringing such conflicts to higher authority. The sales manager and production manager may collaborate closely on product line policy. In larger firms a product committee is set up, consisting of the sales manager and his assistants, plant superintendent, plant engineer, laboratory chief, and market research chief (if any). All cases of adding a new product, dropping a product, or modifying it are taken up by the product committee. Differences of viewpoint are resolved, and the report of the committee goes to the chief executive. The latter has all the facts from the report and can make a better informed decision.

Timing of production is important. The sales department should provide the production department with full statistics on sales of the various items in the line over the years. Simple bar or line charts showing seasonality in consumption patterns aid the production people in planning their work schedules to reflect varying requirements of the market over time. The sales forecasts produced by the sales department tie into these historical sales trend studies to enable production to plan ahead in some detail.

As shown in the chapter on sales forecasting, the sales manager is in the position most sensitive to changes in the market. He is the first to sense changes in business conditions, in consuming markets, and in competitors' moves. His adjustment in sales strategy to meet such changes should not be the only reaction; he should keep all major executives closely informed as well. The production manager, being forewarned, can lay alternative plans. When the threatened possibility occurs, he is not caught off guard; he knows exactly what to do, as he has planned for just such a contingency. This is at the heart of executive planning—imagine all the different contingencies and lay alternative plans *ahead of time* to deal with each.

IV COORDINATION WITH TRAFFIC DEPARTMENT

In some lines of business the transportation function is organized separately from the sales department. In such cases the sales department must keep the traffic department closely informed on volume of orders to different destinations by promised delivery dates; the traffic people can arrange to book the proper rail or truck facilities to take care of the shipments. In the milk processing field, transportation functions are under the sales department. Such activities as the procurement and maintenance of trucks and the scheduling of delivery are direct functions of the sales department.

V. COORDINATION WITH PERSONNEL DEPARTMENT

In smaller companies the sales manager hires and fires his own sales personnel. If the larger companies have separate personnel departments, the latter usually handle the routine work of recruiting, processing, keeping personnel records, negotiating with unions, and setting up companywide policy on dismissal, retirement, vacations, and the like. This centralization of routine and detail work of employee relations relieves the sales manager of much detail.

However the sales manager must work closely with the personnel department. He must set up a policy to guide personnel in recruiting salesmen by giving them a clear idea of the kind of man he wants—his qualifications, experience, background, and the like. He must keep informed on the job market and how his competitors are treating their salesmen. In most cases he allows the personnel department to screen applicants for sales jobs, but reserves the right to interview promising applicants and make the final decision about hiring. He must also reserve the right to discharge unsatisfactory employees, within the framework of union agreements and general policy laid down by personnel. Personnel cannot be expected to keep each salesman's sales volume and quota records, although it records ratings awarded if the sales department has an efficiency rating system. Finally, the sales manager finds that a well-kept portfolio is helpful when reviewing the salesman for promotion to a better job.

VI. COORDINATION WITH PUBLIC RELATIONS

Public relations is probably the newest management function of business. More and more companies are learning how vital it is and are setting up public relations departments. If there is no separate department, the sales manager, along with the advertising manager (if there is one), is responsible for the company's public relations. Since only the very largest companies have a separate department, the discussion will assume that the sales manager must handle the function.

What Public Relations Is

Public relations is that management function which ascertains and evaluates public attitudes toward the company and then adopts a positive program of action to correct erroneous impressions about the company, remove irritation points with the public, and tell the company story in a straightforward and convincing manner.

People get their impressions about a company from what they hear and read about the concern and from their own contacts with it. An adverse personal experience is communicated to others; this generates ill will that can cancel out the effects of thousands of dollars worth of advertising. Adverse publicity in newspapers or magazines, over radio or television, can do millions of dollars worth of damage.

The most important avenue of approach is the company salesmen. As stated elsewhere, the salesman *is* the company as far as the customer is concerned. Thus a *prime responsibility* of the sales manager is to train the salesmen to be obliging and courteous. He also must seek out and fire the poor salesmen.

The sales manager's responsibility does not stop there. Each employee of every category has many friends, relatives, and associates. A dissatisfied employee's contacts can do the company untold damage by word of mouth. Therefore the sales manager must be interested in employee morale generally. He should seek out poor morale and use his influence to correct it. If he can organize employee clubs, athletic teams, picnics, and other activities, so much the better. Larger concerns have house organs to foster good employee relations.

The sales manager also should analyze every other avenue of contact with the public. Are visitors courteously treated? Are there facilities for showing visitors through the plant? One company on the Eastern seaboard runs a model dairy farm. It is well advertised and thousands of city people visit it over a weekend. There they see how clean dairy facilities are and how carefully the product is handled. A sample of the milk is given to the visitors, promotional literature is handed out, and a representative is present to sign them up for service. Although management complains about the rather high cost, it feels that the model farm creates thousands of dollars of good publicity for the company. Many visitors have signed up for service; this is a fair measure of the farm's usefulness.

Receptionists, telephone operators, and order-takers also can generate good will, or the reverse. Each person who deals with the public by telephone should have a pleasing telephone voice. He or she should be carefully trained in the proper way to deal with the public.

Finally every employee must be convinced that the company is a good place to work. A concern may have excellent employee relations, and yet not have that desirable esprit de corps. People take things for granted, do not notice them unless pointed out. For example, the management of a great luxury hotel instructs its bellboys to conduct new guests about the hotel and to remark on its many services, conveniences, and physical beauties; the result is better guest loyalty. Likewise, the executives of a company must "sell" the employees on the company by pointing out its advantages, or the employees will take them for granted. This can be done subtly at employee meetings and dinners, through house organs, and the like.

Other Areas of Public Relations Activities

Community Relations. The chief executive of a company should encourage his executives to take part in community activities. He should set the example by participating in service clubs such as the Rotary and Kiwanis Clubs, church activities, and organizations interested in community improvement. Sales department personnel are often asked to head charity drives, as they know how to organize and promote such activities. In addition, the board of directors should allocate so much each year to support community charities. The resulting publicity from employee participation and company contributions is most beneficial. In addition, the leadership experience and outside contacts gained by executives in leading community projects are good for their own personal leadership development.

Government Relations. Most large companies have a man in their public relations departments who is an impressive representative of the company before government bodies. They appear before congressional committees, commissions, and other public bodies to present the industry's and company's viewpoints. They also present their views to individual congressmen and legislators. The proper trade associations do much of this work, but it never hurts to supplement it with company activity.

Press Relations. Since salespeople travel a lot, they are in a good position to cultivate a good relationship with the press. Newspaper reporters are always looking for newsworthy items for their papers. When any sales personnel come upon a human interest story, they should tell their newspaper reporter contacts about it. Salesmen are always discovering fires, helping women in distress, and doing other interesting things. When such events reflect favorably on the salesman, the sales manager should tell the press about them. Thousands of dollars worth of publicity can be gained this way. News about promotions, new products, new plants, and the like are also good publicity and the paper should be informed via a press release.

Sometimes direct action is necessary when bad publicity hits a company. For example, sometimes the company's side of the story in a labor dispute is not properly told; then the company must hire space in the local newspaper to defend itself.

Public Relations. The sales or advertising manager is often the spokesman for his company, since he is a good communicator and speaks well. Therefore, one of his jobs is to accept public speaking engagements before clubs, sales managers associations, trade associations, schools, and other groups. These engagements give him an opportunity to present his and his company's attitudes on public questions of the day, especially as they affect his industry. Although the audiences are small, the resulting writeups in the press and business papers and the word-of-mouth publicity are important.

Selling the American System of Free Enterprise. All executives can defend the free enterprise system from the threat of Communism. Although the National Association of Manufacturers, the United States Chamber of Commerce, and the Advertising Council are making a fine effort, it is not enough. Since the sales manager knows how to talk, he is an ideal person to explain the American system to all with whom he comes into contact—workers, clubs, family, and friends.

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Chapter 16

Planning the Campaign —A Case

To show how market evaluation, product planning, appraisal of the sales opportunity, planning the marketing effort, and evaluation of the results are all organized, coordinated, and executed, an actual case will be discussed in this chapter. The company is the Maxwell House Division of General Foods Corporation; the product is Instant Yuban Coffee. The reader will see the major thinking and planning that went into the successful launching of Yuban coffee in instant form on the national market.[1]

The Maxwell House Division feels that people, product, and planning are the key ingredients to profits. This division starts its marketing plan with the identification and fulfillment of consumer needs or desires with a product manufactured and distributed at a reasonable profit. It is not easy to identify consumer need or desire, especially if the idea for a product or service is new and unfamiliar to the consumers.

In the present case the product was one generally known to the public—coffee. The soluble (or instant) form of coffee had been on the market since the 1920's. The brand Yuban, in ground form, had been on the market since 1914, when it had been marketed by the Arbuckle Coffee Company. Introduced as a regional brand, it had had limited acceptance as a premium coffee on the Los Angeles and New York City markets. In the 1950's it became a major brand in Los Angeles despite modest advertising and selling efforts. Generally, however, it was a low-volume, high-priced product. The brand was acquired by General Foods in the early 1940's, but nothing was done with Yuban for some years after its purchase.

The idea of expanding the brand in its new form (instant) began with recognition of a new trend in the coffee market: an increase in consumer preferences for higher quality, premium-priced foods, which accompanied a general upgrading of tastes in the 1950's.

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[1] Grateful acknowledgement is made to the General Foods Corporation for permission to publish this material.

The price of coffee on the world market soared to record heights from 1953 to 1955. As ground coffee began to recede from the 1955 maximum, total sales volume of premium price ground coffees doubled between 1954 and 1958. Market analysts at Maxwell House forecasted continued low coffee prices during the next four years, from 1958 on. They also predicted higher per capita income, a better standard of living, increased leisure time, and still greater consumer interest in gourmet-type foods. Putting these factors together, the market analysts forecasted another doubling of the total demand for premium types of coffee from 1960 through 1965. The primary demand for the product looked very favorable.

The next question was whether there would be an even more significant potential for the soluble-type product than for the ground coffees. A study of soluble coffee sales indicated a substantial growth picture; total sales of 25 million units in 1952 were up to 89 million units by 1958, and a demand of 100 million units was projected by 1960.

Maxwell House marketing executives used the foregoing evidence to develop the following marketing hypothesis:

> A premium-priced soluble coffee could profitably be marketed if:
> - true and recognizable premium quality could be developed
> - the premium price differential would be within a reasonable range
> - adequate marketing funds would be available to:
>   achieve distribution
>   create the desired "image" for the product
>   obtain broad consumer trial

This hypothesis was thoroughly tested before a decision was made to commit corporate resources and assume the substantial risk of launching a new instant coffee.

PRODUCT ANALYSIS

The problem of making a soluble coffee was put into technical research and development. The end product had a high content of mild coffee and utilized the catalytic effect of aged coffee beans.[2] A panel of expert coffee tasters tried out this instant blend and judged it significantly superior.

Next, a blind taste test of the new instant blend was made on a panel of typical consumers. The new product was pitted against the four standard price/quality brands that would be its major competitors on the market. All had code letters to conceal the brand names from the consumer. Not only is this a difficult test for a product such as coffee, but also the taste perception of a typical consumer, unlike that of a panel of experts, is not keen enough to demarcate any but outstanding taste differences. Therefore it was all the more significant when consumer preferences for Yuban over competing brands ranged from 1.2 to 1.0 to 2.0 to 1.0. The results clearly indicated that the product was differentiable in taste and evoked favorable responses among both instant and ground coffee consumers.

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[2] It had been previously discovered that selected Columbian coffee beans, if stored under carefully controlled conditions of temperature and humidity, would develop a characteristic strong, winey flavor. Maxwell House technicians compared the process with aging cheese, wine, and meat. These aged beans not only imparted flavor of their own to the blend, but also released flavor present in nonaged beans with which they were combined (catalytic effect). Note how this unique product feature was employed later for the keynote or theme for the Yuban advertising campaign.

Since market factors and product attributes were all positive, the next step was to develop a marketing plan—a mix of factors that would be favorable for the product. The object was to develop the best mix deductively and then try it out inductively by test marketing to see what improvements could be made in the plan.

DEVELOPING THE MARKETING MIX

Trademark

First the Company investigated coffee consumers in New York City. Even though the Yuban trademark had not been advertised for over 30 years, a small number could identify the Yuban name; more important, most consumers associated it with high quality.

Next, the Maxwell House marketing people originated and screened a number of possible trademarks. When the finalists were tried out on consumers, none scored so highly as Yuban in memory value, appeal, and favorable association. Therefore, the Company decided to retain the Yuban trademark.

Packaging and Labeling

A high-quality image and in-store shelf impact was sought. A unique jar shape was chosen; a label was designed in deep, dark coffee colors; and the name Yuban was positioned dramatically. The feeling-tone of the whole package was one of dignity, richness, and quality.

Size of Product

The Company immediately decided to put the new instant in a two-ounce jar to facilitate sampling, since the consumer probably would not be willing to risk more than the cost of two ounces for an untried product. However, the Company could not decide whether to make the larger size jar five or six ounces. If it were five ounces, the Company could sell it for no more than the standard, nonpremium blends put up in six-ounce quantities. If the price were no higher, would the item lose its premium image or become a specialty item with the trade? These considerations led to the choice of the six-ounce size, which is the industry standard.

Price

The Company started with product cost. The aged coffee beans and quality blend created a higher raw material cost, and other elements were somewhat above average, e.g., label and jar. An adequate margin of profit over cost had to be calculated to ensure payback of investment in the product within a reasonable time and good returns after that. Adequate trade margins had to be allowed to make the product profitable and therefore desirable to food wholesalers and retailers. Finally, after all costs and margins had been added up, the resultant price had to be competitive. Competitive with what?

This question required some thinking. Should the price be competitive with the big-selling, average-quality instant coffees or somewhat above this group as part of the establishment of the premium image? Because of the highly favorable results with the blind taste tests among consumers, the Company decided that an above average price would aid in building the premium quality image. People would be willing to pay more for the demonstrably better product. The question was how much more.

Here, the product and marketing cost studies were useful. If the Yuban instant were priced about 10 per cent over competition, the Company could recover its higher material and processing costs and have a satisfactory margin for profit. Marketing men at Maxwell House decided that more than 10 per cent would reduce volume potential in a total coffee market which is extremely competitive. Hence, the 10 per cent over the market for average-quality brands was approved.

Note that the Company started with careful cost calculations. Then it checked the resultant indicated price for the consumer against probable consumer willingness to pay the price and against prices charged by competitors for a comparable product. Total costs (production, marketing, planned profit), consumer assessment of the net value (willingness of a sufficient number of consumers to pay the price for a better product), and competitive price structure all interacted to determine the most important single decision in the mix—price.

RISK EVALUATION

Planning had now reached the stage where financial requirements could be estimated. The cost of manufacturing facilities and the amount of money necessary for advertising, selling, and other marketing functions could be compared with projected returns to find an estimated rate of payback of capital and return on marketing investments, i.e., heavy introductory advertising and promotional expenditures.

At the same time a final evaluation of marketing risks had to be made. How intense was competition? There were more than 400 brands of instant coffee on the market; which of these would compete seriously with Yuban? How would competitors react to the introduction of a new product? Consumers are naturally apathetic to new products. How successfully might this inertia be overcome? How soon? Would the higher price increase the resistance? By how much? Probable reaction of competitors and consumer resistance was a matter of judgment; evaluation could be based only on past experience.

When all the facts were put together, Maxwell House and General Foods officials appraised the risk of failure. They decided that the potential return was worth the considerable risk in introducing a new coffee product.

IMMEDIATE MARKETING STRATEGY

The next step was to get ready for test marketing Instant Yuban. To do this, the Company had to identify the market (who the best prospects were), decide on creative selling strategy (what to say), and how to reach the market so demarcated (through what media and how often).

Identifying Prime Prospects

Analysis of coffee-consuming patterns showed that most adults of the population might ultimately be persuaded to try such a product as Yuban. Those who would use a premium instant coffee most freely were men and women between the ages of 30 and 50, modern in their outlook, better educated, in middle- and upper-income brackets, and usually living in urban areas. These were the sort of people easiest to sell—the prime prospects for Yuban.

Copy Objectives

Collaboration with the advertising agency, Benton and Bowles, yielded the following objectives: introduce Yuban with maximum impact, position the brand as a premium coffee, justify the flavor promise in a convincing manner, appeal to all consumers but concentrate on impressing hard-core users, and create an approach unique in coffee marketing.

After a study of product attributes it was decided that the aged coffee bean feature was unique, dramatic, and memorable. By tying it in with bags of coffee and giving it all an upscale, quality flavor, Benton and Bowles' advertising created a powerful image that made the product stand out.

After the aged coffee theme had been used for a while, copy research indicated that the message "got over" extremely well and carried associations of high quality and superior flavor.

Media

From the study of the potential consumers came the criteria for building a media plan. Media had to be selected that would reach all consumers but concentrate on middle- to upper-income groups, with better education, in urban areas. These people had to have sufficient message saturation to impel them to try new Yuban instant coffee. This meant dominance of media employed during the introductory phases of the campaign.

TRADE SUPPORT

A promotion plan was worked out. It called for broadcast product sampling in urban markets, couponing in smaller markets, and introductory trade allowances to encourage initial trade stocking. Feature and display allowances were backed by in-store merchandising materials. The Maxwell House Division salesforce presented the new product to dealers and convinced them to use point-of-purchase materials, build displays, and the like.

TEST MARKETING

In November 1958, the first market test was done in San Diego, California. This city was chosen because ground Yuban was well known, and a proven market existed for premium quality coffee. Los Angeles, where similar conditions existed, was opened in March 1959. Yuban instant coffee was tested in May 1959 in San Francisco and three markets in the less premium-oriented Central area; in October 1959 it was tested in the high-consumption East (Columbus, Ohio and Syracuse and Albany, New York).

The latter part of 1959 was spent evaluating the test market results. Every element was examined against actual experience. The results were highly favorable. The consumer profile was very accurate. The brand established a healthy share of the market from the first and held a good share at a reasonable spending rate for advertising and promotion. The sampling plan, especially, was evaluated because of its high expense; it was successful in urban areas. Mail coupons, however, were most economical for areas of less potential. The creative "pitch" was found to be extremely good.

Since each element of the marketing mix had been tested and found "on target" and over-all profitable introduction was proven feasible, the Company decided to expand the market.

Here a difficult question of strategy had to be solved. Should Yuban be introduced nationally all at once, or regionally? The following factors favored national marketing: (1) national media are more economical to use; (2) immediate introduction would reduce the probability of pre-emption in nonintroduced areas by competitors; and (3) immediate returns would be greater. On the other hand, introduction of one region at a time had these advantages: (1) a regional campaign requires less financial drain at one time than a national campaign—therefore much less financial risk; (2) local media have deeper impact than national; (3) the Company can learn from each major market introduction; (4) fewer salesmen are needed—they can be moved from region to region; and (5) the region of best potential will get immediate returns that can then be used for the next region, and so on. Because of the superior advantages of regional expansion, General Foods adopted this tactic.

EXAMPLE OF REGIONAL EXPANSION TECHNIQUE

One of the first markets to be entered was New York City in March 1960. Accounting for 10 per cent of the national soluble coffee market, it is obviously the area with the greatest potential. At the same time, it was one of the most complex and competitive markets in the United States. The basic techniques employed were the same as those described above, but some specific details may be of interest.

Over two million homes received a free sample of the two-ounce jar plus a 15-cent coupon good on initial purchase. Over 500,000 nonsampled homes received by mail two 15-cent coupons good on either size. The second coupon was to stimulate repeat purchasing.

A "blitz" or saturation advertising campaign was carried on during the introductory period: 192 television spots over a period of three weeks; then 55 spots per week thereafter to sustain. Thus, during the first three weeks, 97 per cent of the consumers of New York were reached on the average of 37 times. Thirty-five full-page color inserts were run in six Sunday newspapers in four months, and two four-color and black and white insertions were run in 23 metropolitan New York papers in three weeks. These were to supplement the television impact and convey a news flair.

A similar pattern was carried out in region after region of the country until all had been covered, after which national media were used further to broaden and sustain the initial impact.

RESULTS

Distribution was achieved according to plan. The only major difficulty encountered in the marketing mix was one beyond the control of the Company. Dealers refused to stock adequate quantities of the product; they could not believe at the onset that so much demand for Yuban instant would be generated. Many consumers were frustrated by being unable to secure the product during the introductory period. The trade cooperation was not up to expectations, either. The retailers failed to tie in with displays, materials, and the like.

However, consumer response was massive, far exceeding expectations. The rate of repeat sales, too, was good. By the end of 1961, instant Yuban was fighting for the number two slot in New York City, and it was making good progress in other markets, particularly those in the Far West and other expansion markets contiguous to New York. The product by the end of the year gave every indication of investment payback well before the anticipated target date.

In conclusion, we see the importance of determining whether there is a market in the first place, then making sure the product is superior (particularly that it has unique differentiating features), and then creating and tailoring each element of the mix to fit together and be consistent with over-all brand objectives. The plan must be tested to see whether the suppositions were correct, and on the basis of what is learned, the plan is revised and improved. Even during the main introduction, the basic strategy is revised and improved in light of what is learned at that time. In short, one should keep flexible enough to learn from the market at all stages, right up to the last.

Chapter 17

Economic Aspects of Promotion

ATTITUDES OF THEORETICAL ECONOMISTS TOWARD PROMOTION

The earliest known comment of an economist was made in 1750 by Ferando Galiani, an Italian, who discerned two aspects of utility: the intrinsic merits of the good, and the relationship of the good to the individual.[1] Adam Smith and those who followed, such as Mill and Ricardo, paid little attention to utility beyond recognizing its existence. Instead of studying utility (which could not be measured), they concentrated on value, which they thought could be quantified. They developed the famous labor theory of value, which said that the value of any good was measured by the amount of labor that went into making it. The amount of labor was an objective thing, as it could be measured; therefore, value was an objective matter. They refused to deal with the subjective values.

It was not until later in the nineteenth century with the appearance of the marginalist school (Menger, Jevens, Walras) that economists recognized the importance of subjective value. When the theory of marginal utility was developed, economists took a closer look at the nature of utility. They soon recognized that value is subjectively determined and exists in the mind of the perceiver. Menger put it: "(Utility) is nothing inherent in goods and not a property of goods, but merely a relationship between certain things and men, the things obviously ceasing to be goods with the disappearance of the relationship."[2]

The major economists of the time still paid no attention to the role of advertising and selling in altering subjective perception of utility. By the time of the neoclassical school of economics in the late nineteenth and early twentieth centuries, however, advertising and selling had become sufficiently important as economic activities in themselves to elicit notice from the economists. The great Alfred Marshall divided advertising into two categories, "informative" and "persuasive."[3] Marshall recognized the necessity of disseminating information about new products through a society, and he saw no economic waste in this activity. But he labelled "persuasive" advertising as wasteful, since it is combative; it merely shifts demand from one producer to another without serving any socially useful purpose. None of the neoclassical school understood the process of creating increased psychic satisfaction by promotion. Most of them also criticized promotion because it led to quasi-monopoly, was egalitarian, and had a bad effect on ethical and cultural standards. The following quotation from Taussig, the foremost American member of the neoclassical school, states their attitude very well:

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[1] Henry W. Spiegel, ed., *The Development of Economic Thought* (New York: John Wiley & Sons, Inc., 1952), p. 94.

[2] Quoted by Vincent Norris in "Advertising and Value Added," in C. H. Sandage and V. Fryburger, eds., *The Role of Advertising* (Homewood: Richard D. Irwin, Inc., 1960), p. 150.

> Purchasers often look to some external mark in deciding which among comparable products they will select. They are especially likely to do so when separated from the makers by a long chain of intermediaries such as selling agents, wholesalers, retailers. They buy an article which has a brand or label or name which is supposed to guarantee quality. The producers find it necessary to create and maintain reputation and "good will." Often they find it profitable to do so and sometimes enormously profitable. Without some identifying mark or brand, large-scale production seems to be impossible. This obstacle in the way of developing a great enterprise does not appear with the standardized and absolutely impersonal raw materials, like wheat, cotton, pig iron, lumber, ores. These can be sold in huge volume anonymously, so to speak. Wheat needs no trademark, but in these modern times bread seems to. As goods become more and more specialized in the course of fashioning the raw materials, they acquire something in the nature of an individuality that must be made known and recognizable. The persons who produce them try to acquire a monopolistic or semi-monopolistic position.
>
> Trademarks and the like have their good sides and their bad; and the same applies to the advertising which is so conspicuous in connection with them. In general the good sides appear most in the marketing of producers' goods and the bad sides most in that of consumers' goods.
>
> First, producers' goods. They are of many kinds and many degrees of importance, ranging from simple mechanics' tools like saws, hammers, and screwdrivers to large and intricate contrivances such as machine tools, spinning frames, automatic looms, diggers, dredgers. The persons who buy them and use them are usually well-informed, know what they want and can also judge the quality of what is offered. If they are influenced by trademarks, it is because of experience. A tool or machine or specialized material which does not prove as good as expected will not be bought again. To hold customers it is a condition of profit that good quality shall be maintained; the brand must be kept up.

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[3] Alfred Marshall, *Industry and Trade* (London: The Macmillan Company, 1919), p. 395.

In this as in all economic phenomena there are setbacks, eddies from the main current. Sometimes the maker of a well-approved machine gets into financial difficulties and acts with regard solely to the exigencies of the moment. He may be in debt to his bankers, perhaps so deeply that they have "taken over" his affairs. They may prescribe that the product must be made cheaper, even though of poorer quality, and still put on the market under the same name and at the same price. The procedure may work for a while, and the bankers may "get out" thereby. But the trademark has become worth less, perhaps quite worthless. Every business man knows that this is shortsighted policy, and it is not often followed. The decline of an established brand among producers' goods usually sets in for other reasons, such as the invention of an entirely new and better device.

It is curious and also significant that even for established trademarks of this kind some advertising is essential. Anyone who looks at a trade journal will see page on page giving names of firms and brands; sometimes the bare names, sometimes also mention of the age of the concern, sometimes elaboration of the superiority of the product. One might suppose that well-known articles of this type would be bought once for all when wanted and that egging on of purchasers was superfluous. But it seems not to be so. The purchasers must be reminded; the familiarity of a name, if only from mere repetition, is an essential element in holding the market. There must be defensive advertising to meet the offensive of intruders.

On the whole, each producer tries to erect barriers to competition, and yet the process is a competitive one. What seem to be wastes of competition are the results of a tendency to lethargy among buyers, and are concomitants of progress: they keep both sellers and buyers alert. As regards producers' goods, the trademark introduces no new factor of importance into the theory of value or into the great social problems.

In the case of consumers' goods, the phenomena are more complicated. Competition is more uneven in its working and more dubious as to its results. Here advertising plays an immensely larger part.

It is often said in business circles that it pays to advertise a good article. As regards producers' goods probably it does; the emphasis on goodness is justified. But as regards consumers' goods it often pays to advertise with little regard to the goodness of the article. In modern times the cheap newspaper and almost universal literacy have made it possible to reach thousands of people, even millions, who are ignorant and gullible. The radio has made it possible to reach the quite illiterate too. Blatant, mendacious, vulgar advertising confronts us at every turn.

Questions of two kinds arise: first as to the effects on costs, on prices, on competitive or noncompetitive gains—the questions with which we are here chiefly concerned; and second, questions much more difficult, as to the meaning of it all for the well-being of mankind.

As regards costs and prices, the situation for consumers' goods is in some ways similar to that which has been found for producers' goods. Competition is loaded, so to speak. Every purveyor to the consumers must have a distinguishing mark of some sort. It may be a trademark duly registered and protected by law from infringement; it may be a name or slogan; as regards a retail shop it may be merely a location familiar to customers. Each tries to have something that his competitors do not have, and so to get into a semimonopolistic position. Hence the term "monopolistic competition" has been devised[4] as a label for the situation, indicating how there is an interaction between the two kinds or sets of conditions, and a transition through many gradations from pure competition to complete monopoly. Everyone who caters directly to consumers finds himself compelled to make pretension of some special excellence and to spend money for the purpose. Without such expenditure, large retail operations are impossible. All incur the expenditure, and for each and every one the costs of doing business are jacked up. Some do it more effectively than others; and, as between business concerns, this is one among the differences which, taken together, are so important for the theory of business profits.[5] But all have to reckon the expense as an item in costs, and it must be recouped for all in the prices paid by the buyers.

How far is this futile,—a mere forcing on each other of expenses which yield in the end no net gain to anyone and yet enhance prices for consumers? The case is not so simple as it may seem. Sometimes a gain to the community does accrue from advertising. Advertising is essential for the introduction of things quite new, whose serviceability is not to be gainsaid but has still to be made known. Here a launching campaign, often costly, cannot be dispensed with. Another case, not quite so simple, yet not difficult to explain and accept, is the advertising so freely incurred for selling articles approved and familiar; for the maintenance of a tradition. It appears, as has just been remarked, for producers' goods as well as for consumers' goods. In the industries which are close to consumers it is peculiarly necessary to advertise in order to keep things going. Not only a launching campaign but a continuation of advertising seem to be inescapable adjuncts to business on a large scale. The incessant vaunting has a sort of indirect or preventive productiveness, analogous to that of the policemen and the criminal courts; directly they contribute nothing but without them things would not go smoothly and uninterruptedly. Apparently the advertising must be there in order that effective production shall be continuously maintained.

At the other extreme we find cases which also are simple; where there is palpable lying about the goods, acts clearly fraudulent, or the offering and lauding of articles clearly injurious to health or morals. These the law handles with comparative ease—logical ease—and with little hesitation. The problems they present to economics are not essentially different from those of larceny and burglary. There are rules of the game, laid down by the law of property, within which competition must be confined.

Midway are the puzzling cases, lying on the borderland where jurisprudence touches economics and the other social sciences. We find doings about which the law holds aloof; unwelcome, but not so plainly bad as to be ruled out once for all. Such are mere exaggerations, where it can be said with some composure that after all the purchaser must look out for himself. Most dubious are the cases where there is something other than mere puffing. The consumers' tastes and purchases may be not only aroused but be deliberately created: say by a suggestion of distinction conveyed. Shall it be said here also, *caveat emptor?* Here, further, there is competition in extravagant tooting. If the tooting is done more effectively by one than by another, it may establish and often does establish a differential position. A semimonopoly arises, lasting for a period as long as the business community is usually concerned with,—lasting, that is, for the business generation. It is often associated with large-scale production; yet not necessarily so. It means high costs but may bring high gains. The whole performance is among the most repulsive of the characteristics of modern society. And it brings consequences in the prices of the lauded goods which are not easy to fit into the usual categories of economics. While launching expenses and expenses for maintenance of an established business trademark or connection can be fitted into the broad lines of the simple theory of value, here there are perplexities.

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[4] By Professor Edward Chamberlin, in his notable book, *Monopolistic Competition.*

[5] See F. W. Taussig, *Principles of Economics,* 4th ed. (New York: The Macmillan Co., 1946), Vol. II, Chap. 49.

The perplexities belong with the second class of questions referred to a moment ago, those which relate to welfare and happiness, to the ends of life. It is quite an open question whether these larger matters should be dealt with at all in a treatise on economics. The scope of economic science is admittedly limited. The usual statement, the first approximation toward defining the science and the ends which it envisages, is that its concern is merely with what people want or desire. The commendability, the moral or aesthetic goodness of their wants and satisfactions—all this is outside our scope. We examine merely the ways in which people produce and exchange and divide among themselves the things they happen to want. "Value" is pertinent only in the sense of exchange value, not in what is called moral or aesthetic value. It is immaterial for economics how a want arises, or even whether purchases are made with the results expected or not; the only question is what people want at the time when the purchases are made and what will be paid. It is all a matter of vendibility and the relation of costs to vendibility, of disutility to utility.

It would seem to follow that the how and why of wants lies outside our field. This bringing of wants into existence, or at least into a quite new form of expression, is a queer thing. How to explain it stirs the scientific curiosity of psychologists and moral philosophers as well as of economists; and that curiosity itself is a queer thing! When the wants somehow are there, then the economic problems arise. The phenomena here under consideration have a special place in economics only so far as competition works slowly, imperfectly, unpredictably—so far as the relation between costs and prices is irregular and uncertain, semimonopolistic conditions persist for a long time. There seems to be an accentuation of the trademark situation, but not a situation radically different.

What is to be said of the large gains and even great fortunes that sometimes arise? They seem not to be related to any corresponding contribution to welfare. But then we pause, and ask what is welfare? The factory girl buys rouge or cigarettes because they are vaunted to be the same as used by the lady of fashion; that personage's highly paid and much-advertised certification may even prove beyond doubt that it is exactly the same. The girl likes it because it gives her a sense of distinction. Again, the man uneasy about his state of health buys a much advertised concoction which is harmless, or a mild corrective well-known to the medical profession. He may feel the better for using it just because he is told to expect betterment. Blatant, vulgar, repulsive are the adjectives which I have just applied to some of the familiar ways of enticing consumers. But the terms after all are mere expressions of a personal or class preference, no nearer to universal validity than one's judgment on a book or a picture.

> As was said before, it is the sudden development of almost universal literacy, and of newspapers and the like commanding almost universal attention, that has led to phenomena distressing to the educated and refined. They go with the breakdown of class distinctions and the sense of a new kind of freedom in social relations. It has often been said that the true goal of happiness is the utmost freedom, and the true test of a social order is its attainment of the utmost freedom. But what is that "utmost"? Some limits there must be. Is a freedom of choice such as brings the anomalous results we have been considering to be restricted? Are advertisers to be censored not only on matters of health but on matters of taste? Perhaps the unsavory things which of late have become so conspicuous are but the froth and scum of a rapidly changing society, likely to subside as it settles down to a new order based on more of education and intelligence and less of inequality. What is the wise way of sitting in judgment on them—the way that will commend itself to later generations?
>
> We have thus been led to touch on topics that lie outside the usual scope of economics. They reach, to repeat, into psychology and into ethics and the search for the good; to reflections on what is happiness, what are the aims and ends of life. The economist's field, given the limits just indicated, is merely a part of the large one. While he cannot refrain from sometimes crossing the line which separates him from the other parts, yet in general probably he does best to keep within his own domain. Its problems are perplexing enough. They have puzzled acute thinkers, in many ways still puzzle them. They appeal to the curiosity of the scientific mind. And they immensely concern all men, the dull as well as the intelligent, the rich and the poor, the altruistic and the selfish. The first and strongest interest of men is in their physical needs; the next in their developing desires and the means of satisfying them. About these matters there are misunderstandings, errors, ill-directed moves. The economist's judgment about them is not all, but it is not to be disregarded.[6]

There is an interesting dichotomy among modern economists. They either ignore the subject of promotion completely, or take the opportunity in their textbooks to express contempt for such activities, characterizing them as sheer economic waste. A few, such as Samuelson, devote brief attention to the subject, but recognize some economic advantages among the disadvantages. The following passage is somewhat representative of their position:

> A characteristic feature of our era is advertising. With our daily news and our Sunday pleasure rides, we are fed large doses of carefully selected descriptions of various products. A sizable amount of the nation's creative talent and a fraction of its paper and vacuum tubes are devoted to sales promotion. This has many economic advantages. Useful information can be brought to the public; mass-production markets are created; and as a byproduct of advertising expense we have a free press, a choice of many radio and television programs, and thick magazines. On the other hand, much advertising is self-cancelling and adds little to the consumer's valid information. And for each minute of symphony music, there is half an

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[6] F. W. Taussig, *Principles of Economics,* 4th ed. (New York: The Macmillan Co., 1946), I, 232-39. Reproduced by permission.

> hour of "soap opera." The situation would be the more regrettable were it not for the apparent fact, surprising though it may seem, that many people seem to like advertising. They don't believe all they hear, but they can't help remembering it just the same.[7]

Certain modern economists have departed from the constraints of the old classical school. The theory of the latter was worked out within the framework of a pre-Industrial Revolution society, a time of agrarian domination, handicraft production, and grinding poverty for all but the fortunate few who happened to be landlords or factory owners. These modern authorities have recognized that they had to include within their frame of reference at least some world-shaking events that have occurred since David Ricardo's era: the Industrial Revolution, the rise of the factory society, and the unprecedented increase in the living standards of the masses. Recasting economic theory with reference to the new economic and social environment, they have begun to study the phenomenon of demand stimulation. John Kenneth Galbraith is the leader of this modern school. The following quotation from his significant work, *American Capitalism,* reveals the essence of his position on sales promotion:

> Not even the genius of the adman has been wholly equal to the task of proving that the paper, ether, and skills employed in, say, cigarette advertising are related to any urgent public need. As with cigarette advertising so, presumably, with highway billboards, redundant service stations, glossy packages, bread that is first denatured and then fortified, high-pressure salesmanship, singing commercials, and the concept of the captive audience. All, in one way or another, are apparently the result of incentives which guide the energies of men not toward but away from maximum social efficiency. Few would insist that these activities are in response to any very pressing desire of the American people. This is the criterion of efficiency of the competitive model. By this standard the American economy is undoubtedly a wasteful one.
>
> However, much of the discussion of the vast activity of selling and advertising in the American economy—that which concerns economics rather than taste—has missed the point. Economists and a good many others have pointed to the energies devoted to it with shock or alarm. Those who make their living by it have replied, both in anger and in sorrow, that it isn't wasteful at all. Some bold spirits, with a knack for generalization, have said that all critics of selling expenditure are subversive. The truth does not lie in between but elsewhere. Our proliferation of selling activity is the counterpart of comparative opulence. Much of it is inevitable with high levels of well-being. It may be waste but it is waste that exists because the community is too well off to care.
>
> In a country where, as the result of maximum exertion of all, only a bare minimum of food, clothing, fuel, and shelter can be provided, it would indeed be intolerable to have some firms or industries tacitly restricting production and sustaining prices. The price of such a monopoly in, say, the coalmining industry would be an insufficiency of coal in relation to what

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[7] Paul A. Samuelson, *Economics, An Introductory Analysis* (New York: McGraw-Hill Book Co., Inc., 1955), p. 169. Reproduced by permission.

consumers desperately need. This might be partially offset by a somewhat greater supply of food. The men and resources, who, under more ideal circumstances, would be employed in the mines, would, as the result of the restriction there, find employment in agriculture. But the consequences for the insufficiently heated public would be far from ideal.

Similarly such a community could ill afford to have any considerable fraction of its labor force concocting sales slogans for its limited supply of bread, writing advertising copy for its meager stock of clothing, putting its few vegetables into cellophane packages or otherwise bringing the arts of direct salesmanship to bear on its poverty-stricken consumers. In such a land the whole force, male and female, of J. Walter Thompson, Dupont Cellophane, and Mr. Elmo Roper should without question be at work producing potatoes, beans, and coal so that people might be slightly less hungry and cold.

In fact, in such a community, this labor (perhaps after an appropriate rehabilitation for manual employments) would have no choice but to seek these utilitarian occupations. It is not necessary to advertise food to hungry people, fuel to cold people, or houses to the homeless. No one could make a living doing so. The need and the opportunity to persuade people arise only as people have the income to satisfy relatively unimportant wants, of the urgency of which they are not automatically aware. The social inefficiency of a wealthy community grows with the growth in wealth that goes far to make this inefficiency inconsequential.

Thus, while the 42 million dollars worth of skill, art, and paper spent in 1949 for cigarette advertising and the 29 million dollars devoted to alcoholic beverages served no urgent social purpose the same is true of the cigarettes and the liquor. It is not clear that the community would be better off if those now engaged in selling tobacco and liquor were employed instead in the production of more and cheaper cigarettes and whiskey. (Both the alcoholic and the cigarette hangover seem now to be sufficiently institutionalized.) It is not certain, always assuming peace, that Mr. James H. Blandings and the other employees of Banton and Dascomb are needed in any alternative employment—they are not needed, as all recent history shows, in the production of potatoes. The alternative use of the resources which a wealthy community appears to use frivolously will always be in other frivolous employments. It will be in the production of things of no very great consequence by any standards.

It will be worthwhile to examine a little more closely the relation of advertising and selling expenditures to a state of relatively high opulence. These expenditures are made for a variety of purposes. The department stores advertise for no more complex purpose than to let customers know what they have, what they would especially like to sell at the moment, and at what prices. The same motive lies behind an appreciable amount of consumers' goods selling in general. In one way or another the vendor has always had to cry his wares; the modern techniques that are brought to the service of this particular task may be no more costly or no more raucous than those that have been used throughout time.

This kind of salesmanship invites no comment on grounds of social efficiency. Indeed the New York housewife who was forced to do without Macy's advertising would have a sense of loss second only to that from doing without Macy's. However in a consumers' goods industry shared by a comparatively small number of sellers—the characteristic industry of the contemporary American economy—advertising and selling activity is assumed in modern economics to be undertaken for one or both of two further purposes. It may be, simply, an instrument of commercial rivalry. Price competition having been foresworn as self-destructive, the firm turns to its salesmen and advertising agency to find new customers and to win customers away from its rivals. The firm is seeking, in the economist's terms, to move its demand curve to the right. Such an effort to get more is necessary, in a world where others are doing the same, if the firm is merely to hold its own. Only the very disingenuous can suppose, or argue, that this form of selling effort is merely to make the customer aware that the firm has something to sell. Americans would indeed be mentally retarded if they still had to be advised that the American Tobacco Company has Lucky Strikes to dispose of.

It is also generally agreed that the firm may be seeking, often implicitly, through its advertising and salesmanship so to establish its own personality that it will be protected in some measure from other firms which do not reliably observe the convention against price competition. If a firm is able to persuade the public that its brand of toothpaste, pancake flour, razor blades, or aspirin has qualities that are unique, or if it can merely get shoppers to name its brand without thought when they go into a store, then it is protected in some measure from the rivalry of other firms who sell the same product at a lower price. In so enhancing the market power which it has over its own brand, it acquires some freedom to move its own price without inviting loss of custom. The price cuts of other firms can be viewed with some equanimity. Economic theory has given much attention to this process of "product differentiation" in the last 15 years. As a motive, either overt or implicit, for advertising and other selling expenditure its importance has been considerably exaggerated. Simple interfirm rivalry is almost certainly far more important. Still, it is a recognizable phenomenon and the wastes associated with efforts to build up brand monopolies have been greatly deplored.

There could be no great volume of selling expenditure of either of these sorts, except in a wealthy community. In such a community the money dispensed in any given purchase is not of high importance to the person spending it—in the language of economics, the marginal utility of money is low. In such a community, also, a great many different purchases are made by each individual. The result is that no single purchase is worth a great deal of thought; there are too many of them for each to be considered in detail. Accordingly the purchaser is a ready subject for the attentions of the advertiser and the salesman. He even allows himself to be influenced by imaginary or contrived virtues, because he is not sufficiently under the pressure of want to learn whether or not these virtues are imaginary. He yields to the influence of suggestion because he is not obliged, by want, to think about his actions. On going into a store he repeats a brand name that has been iterated and reiterated on the radio because the money he is spending is not of sufficient importance to justify his ascertaining whether there are better and cheaper alternatives. Those who are persuaded that the buyer is victimized need to realize that, in the first instance, he is the victim of his own comparative well-being.

The opportunity for product differentiation—for associating monopoly power with the brand or personality of a particular seller—is almost uniquely the result of opulence. A hungry man could never be persuaded that bread that is softened, sliced, wrapped, and enriched is worth more than a cheaper and larger loaf that will fill his stomach. A southern cropper will not, as the result of advertising, develop a preference for one brand of cooked, spiced, and canned ham over another. He will buy plain sidemeat. No one would advertise the sound effects of processed breakfast foods striking the milk to Scottish crofters who have only the resources to buy oatmeal. In such communities all the commercial advantages lie with the producers of plain bread, sidemeat, and oatmeal.

For the same reasons, the tendency for commercial rivalries, in the absence of price competition, to be channeled into advertising and salesmanship would disappear in a poor community. One cannot be certain that the convention against price competition, itself, could be maintained. The nicotine addict, who now automatically buys one or another of the standard brands of cigarettes, would, under the whiplash of necessity, become an inviting market for a cheaper product. The firm that provided it would acquire customers with a rush. Something very like this happened during the early years of the Depression when millions of impoverished smokers turned enthusiastically to the ten-cent brands of cigarettes. In any case, for maintaining the convention against price competition, it is a great help to have customers who do not care—even if, on occasion, they think they do.

There is a legend, with a great appeal to simple men, that Americans are a nation of salesmen because they have some peculiar virtuosity in this craft. There are more salesmen, and salesmanship is more highly developed, in the United States than elsewhere in the world. But the explanation lies not with national character but with national wealth. The latter means, of course, that there are more goods to be sold. But even more, it means that psychological, not physical, considerations control desire. The biological minimums are covered. As a result that modern practitioner of applied psychology, the salesman, gets his opportunity. Sent to practice on Indians or Chinese or even French peasants he would be a dismal failure.

Many of my fellow economists will have difficulty in sharing the equanimity with which I here view selling costs and the so-called wastes of distribution. Economics began in the eighteenth and nineteenth centuries when men were really poor. Two of its great pioneers, Malthus and Ricardo, held that grinding poverty was the fate of man—any surplus wealth, above the requirements for bare subsistence, would be promptly absorbed into the additional mouths that wealth itself would spawn. In such a society inefficiency was, indeed, an evil thing. It denied bread to the hungry and clothing to the naked even though, if these became available, they launched a new cycle of conception and birth that re-established the common poverty. Western man, as the result of an unsuspected preference for comfort over procreation, and aided by some inexpensive appliances, has escaped from this cycle of poverty. In the United States, in recent times, for most people the biological minimums of food, clothing, and even shelter have been covered as a matter of course. By comparison, the further wants are comparatively unimportant. Economists, nonetheless, have stuck firmly to their conviction that anything that denies the community additional goods or services, however casual their significance, is the greatest of sins. They have brought the mentality of nineteenth century poverty to the analysis of twentieth century opulence.

> The result is an inefficient deployment of the economist's own resources. He is excessively preoccupied with goods *qua* goods; in his preoccupation with goods he has not paused to reflect on the relative unimportance of the goods with which he is preoccupied. He worries far too much about partially monopolized prices or excessive advertising and selling costs for tobacco, liquor, chocolates, automobiles, and soap in a land which is already suffering from nicotine poisoning and alcoholism, which is nutritionally gorged with sugar, which is filling its hospitals and cemeteries with those who have been maimed or murdered on highways and which is dangerously neurotic about normal body odors.[8]

Galbraith's position that any economic waste connected with advertising and selling is not important in a society of great abundance is offensive to the "economic man," the economist imbued with the old Puritan ethic of our forefathers. However, it probably represents the attitude held by most business men, government administrators, and even a significant proportion of modern economists.

THE NATURE OF OUR MODERN ECONOMY

To evaluate the economic effects of promotion, a careful review of the nature of our economic system is necessary. Part of our economy is socialized. There are great monopolies, such as the United States Post Office, the highway system, public buildings, federal power, and liquor retailing in the monopoly states. These enterprises provide their services whether the public likes it or not. Except through political pressure, the public has no say in what, when, or how services should be provided.[9]

Part of our economy is partially socialized. Certain industries are privately owned, but closely regulated by law because they are "natural monopolies"—electric power and gas, railroads, airlines, telephone—or because society has decided to regulate them in the public interest (liquor manufacturing and sale).

The remainder of our economy consists of free, private, voluntary enterprise. There is freedom of entry—anyone may engage in any legitimate line of business, risk his capital, get rewards in the form of profits, or fail. Pricing is free as long as there is no unreasonable discrimination among customers. Most important, the customer is free to choose from the alternative offerings in the marketplace in any manner he chooses. In so doing, his "dollar votes" direct our economic system. Enterprisers utilize scarce resources, humans, power and heat, and material in combinations which will best meet the varying demand patterns of the market.

A basic part of the freedom of the marketplace has always been the right of the seller to contact the buyer in any way feasible—face-to-face, verbal outcry, written or printed communication. The bridging of the informational gap was fairly simple in earlier kinds of societies, and it is no wonder that early economists did not take notice of the process. They had more important matters on their minds—making scarce resources go around as well as they could.

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[8] John Kenneth Galbraith, *American Capitalism* (Boston: Riverside Press, 1952), pp. 101-109. Reproduced by permission.

[9] If someone does not like the postal service, his alternatives are to employ telegraph, telephone, express—all much more expensive communication media. His alternative is never a competing postal service, as the government service has a monopoly position under the law.

Consider the seventeenth century colonial town. It was virtually a closed market system. Produce from the surrounding farms nourished the village; the artisans of the town made the simple fabricated goods required by the farmers and fellow townspeople. The shoemaker, for instance, was both a manufacturer and marketer. The local customer would enter his shop and order a new pair of shoes. In due course, the customer would call back, pick them up, and pay the shoemaker, usually in farm produce or other tangible goods, for money was scarce.

It would be redundant for the shoemaker to advertise, since everybody in town as well as the surrounding countryside knew the shoemaker and what he sold. If this had not been so and the shoemaker had been able to draw additional customers to his store, he could not have handled their demand due to limited manufacturing capacity. These artisan-merchants had considerable monopoly power because of the geographical isolation of their markets and lack of available substitutes for their products.[10]

Today the situation is one of complex interregional trade. The consumer of the shoemaker's product is now many miles away, perhaps across a continent. The large shoe factory in the town has up-to-date machinery, division of labor, plentiful power, and low unit costs despite the high wages it pays to its workers. Cheap and speedy transportation enable the descendant of the colonial cobbler to reach out into the distant markets all over the nation. He has to seek out business, since the annual demand for shoes of his own city might be supplied by only a few days' production of his great plant. He must differentiate his product, adapting a brand and packaging his product line. Unlike his ancestor whom everybody knew personally in the town, nobody knows him, and he must find a way of introducing himself to customers in distant market areas. Although he makes shoes at a fraction of the real cost required by his ancestor, he can get these production economies only by building up an expensive marketing system. Retailers must be allowed a tidy margin for handling and selling his shoes. He must contact retailers by such means as salesmen, trade papers, and direct mail. Consumers must be made aware of the merits of his particular make of shoe. He no longer has the geographical shelter enjoyed by his ancestor—many brands compete with his in the scores of market areas in which he sells. He must match them pricewise and in specific product features.

All this costs the shoemaker a great deal of money, but he must incur the expense if he is to secure the volume necessary to attain economies of scale. He realizes that the economies gained in manufacturing large volumes of product more than offset the increased costs of getting them into distant markets. He reasons that society has benefited from the process. Is this so? Or is the manufacturer merely rationalizing a situation he does not like, but can do nothing about? What is the economic impact of this bridging of the gap in time and space between producer and consumer? How wasteful is the process?

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[10] This was analyzed in depth in "Small Town Monopoly," by William T. Kelley, *Journal of Retailing,* XXXI, No. 2, Summer 1955, 63-66.

Answers to these questions are not simple, nor specifically determinate. It is difficult to isolate the results of a single activity, such as selling or advertising.[11] The best that can be done is to attempt to analyze individually the various areas of economic influence.

EFFECT ON COST OF GOODS AT THE CONSUMER LEVEL

Does the consumer *pay* for the selling and advertising in the price of the product? Does it raise the price of the good? The answer to the first question is yes. In the longer run, the enterpriser must recapture all costs in the product—cost of raw materials, power, labor, administration, salesmen's salaries, advertising expenditures. However, selling and advertising do not necessarily raise the price of the good. To explain this answer, it is necessary to analyze possible effect of sales promotion expenditures on production costs.

I. EFFECT ON PRODUCTION COSTS

This depends on the degree of plant utilization and on the shape of the average total unit cost curve of the industry.

1. *Degree of Plant Utilization*

Assume that the plant has been operating at 50 per cent of capacity. Advertising and selling bring in additional business. Since more units of the product are turned out against which to charge overhead or fixed costs, fixed costs per unit of product are reduced. Variable costs per unit may also be lowered—labor may be utilized more effectively and economies may be effectuated in purchasing, transportation, packaging, and the like. This description fits the kind of industry known as the decreasing cost industry.

A. *Decreasing cost industry.* As demonstrated in Figure 17.1, the average total unit cost curve has its point of least cost, or the optimum, well to the right on the quantity of output scale. As long as added demand can be engendered, effect on costs must be favorable until the optimum cost point is reached.

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[11] This brings to mind the remark attributed to John Wanamaker in America and to Lord Leverhume in England: "Half the money I spend on advertising is wasted, but I never know which half."

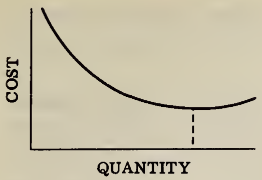

Figure 17.1. *Decreasing cost industry.*

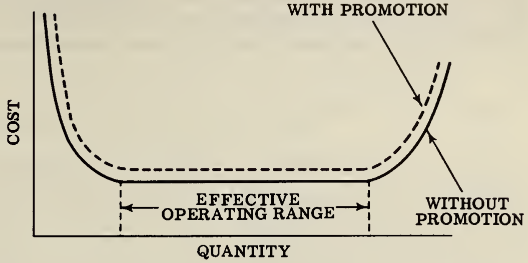

Figure 17.2. *Constant cost industry.*

Decreasing cost industries are particularly characteristic of mass production economy, in which there is a heavy investment in capital, a high proportion of capital to labor, and a high degree of mechanization and automation.

B

Constant cost industry. As illustrated by Figure 17.2, the shape of the average total unit cost curve is flat in the volume range within which the firm normally operates. The addition of advertising or selling costs will simply raise the cost curve from the solid to the dotted line. There will be no direct offsetting economies of scale. However, promotion does keep the volume of sales well within the effective operating range. If it did not do so, there might be substantial diseconomies which could raise consumer prices. Thus, promotion has a preventive function to perform—keeping sales volume of the firm within the normal effective operating range, or within the flat area of the curve.

It is not easy for many great mass production companies to pass on the added cost of their advertising expenditures. If all advertising were discontinued in such cases, the company would be unable to pass back the savings to the consumer because there is no suitable fractional currency to do so. For example, it requires only about one-half of a cent to advertise a bottle of Coca Cola; one-tenth of a cent to advertise a leading brand of cracker; three-tenths of a cent per box to advertise a popular brand of cereal; and 36/10,000 of a cent to advertise a leading make of canned soup.[12] Thus, in some cases, the increase in unit cost created by promotion is hardly discernible in the price of the product.

C.

Increasing cost industry. In Figure 17.3, the average total unit cost curve falls drastically at first, but the optimum point is reached early. Beyond that point, diminishing returns cause a definite rise in the unit costs as an increased volume of output is evoked.

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[12] William T. Kelley, "Economic Effects of Advertising," *Seventeen,* April 1956, pp. 130 ff.

This situation is common for handicraft industries, where little capital and much labor are involved. Costs are kept in line only by the skill of the labor employed. When production is pushed beyond the optimum, the enterpriser must resort to ever less skilled labor, which rapidly drives up his unit costs. Most industries were increasing cost industries prior to the Industrial Revolution, but they are common in underdeveloped areas of the world today. For example, the Spanish lace industry has a fixed labor supply in the shorter run. It takes a long time to train a lace worker. The process cannot be mechanized and still produce the excellent artistic qualities of hand-done lace. Suppose the lace factory obtains a large volume of orders. Since his skilled workers are all laboring as hard as they can, the enterpriser must lure skilled workers from his competitors. If he does this, he bids up wages, thus increasing his unit costs. If he resorts to less skilled people, he again increases his unit costs because of their relative inefficiency. Thus, the effect of promotion on increasing cost industries must be to drive up price and reduce the quality of the goods produced.

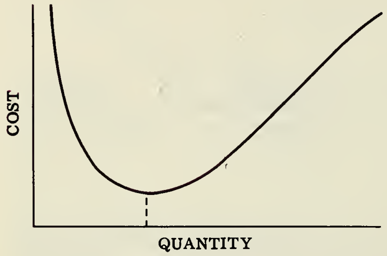

Figure 17.3. *Increasing cost industry.*

II

EFFECT ON MARKETING COSTS

If demand stimulation through sales promotion is successful and helps achieve a greater volume of business for a firm, there may be economies of scale for marketing as well as for production. Increased sales volume may not require correspondingly expanded inventories. For the manufacturing company this means less money tied up in finished goods and rapid turnover. Increased stock turnover often makes even greater savings for wholesaling and retailing companies which handle the product.

Other savings may be brought about. Larger volume of sales enables both seller and buyer to order more at a time, thereby reducing clerical and data handling costs. It also enables the transporting of larger quantities at one time, allowing cheaper carload or truckload rates in place of high less-than-carload or less-than-truckload rates. Since advertising is a less expensive way to reach customers than personal selling, advantages of scale may be obtained by substituting one for the other. A thin market or a strictly local one cannot be reached by the economical mass media; personal selling, direct mail, and the like may be the only alternatives. If the product is nationally distributed and the market is thick rather than thin, substitution of great mass media—radio, television, magazines—for specialized media formerly used is highly economical. For example, sales managers in the industrial field report that it costs about $25 per solicitation for a salesman to contact prospects, while a good industrial magazine may reach the same prospects at $10 to $15 a thousand. The savings are even greater in the consumer goods field; a good general magazine may reach the mass market at $3.50 per thousand.

Thus, the enterpriser can take advantage of economies of scale in sales promotion as he secures mass markets. He can substitute a less expensive medium for a more expensive one (magazines for salesmen); he may make one more effective by supplementing it with another (introduce a new product through advertising, thus giving the salesmen the opportunity to demonstrate unique features, answer questions, and to close the sale); and, finally, he may presell. In the latter case, he makes possible mechanized selling in supermarkets, with its great economies, by orienting the customer before he or she makes the selection. This facilitates selection and makes it possible to secure a large number of transactions per minute at low costs.

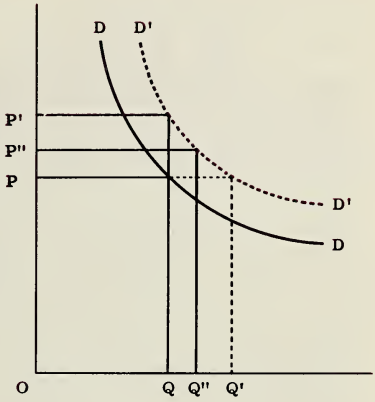

Figure 17.4. *Promotion effect on market behavior.*

STRUCTURE OF COMPETITION IN THE INDUSTRY

Will the lower production and marketing costs just described be passed on to the consumer in the form of lower prices, better quality, or both?

The effective sales promotion program enables the enterpriser to sell the same quantity as before at higher prices, or hold the price the same and sell a greatly increased volume, or a combination of both. Since promotion moves the position of the whole demand schedule upward and to the right (shown as moving from DD to D′D′ in Figure 17.4), the enterpriser has the theoretical choice of taking it in the shape of a higher price per unit—OP′; a greater quantity sold at the same price—POQ′; or both, at a higher price and increasing the quantity sold somewhat, shown by OQ″ at a price OP″.

The policy followed by the enterpriser depends on the competitive structure of the industry.

A

Monopoly

Since there is no incentive or competitive pressure to reduce prices in a monopoly, the monopolist will probably charge the highest possible price under the new demand schedule, OP′. Savings due to economy of scale will swell his profits. Therefore, the effect of sales promotion in the case of a monopolized industry can only be highly undesirable.

B.

Pure Competition

Here, competition is so keen that any savings will be put into lower price by the innovator to secure a short-run differential advantage. Since competitors will soon duplicate the lower price, any savings should go to the buyers of the product. The innovator's profits may be enhanced temporarily by the competitive differential. However, there is a paradoxical situation under pure competition. The product is assumed to be undifferentiated, homogeneous, therefore unbranded. Moreover, buyers supposedly have complete knowledge of the market—offerings, alternative prices, terms, and the like. Advertising would be useless in such a case, as would personal selling. Also, there would be so many sellers, such a vast demand, that no one seller could have any influence over market price. Therefore, since demand appears to be a horizontal line to him rather than tipped up, as it is for DD in the above diagram, he would have no incentive whatever to promote sales. Profits would come only through superior management of his production costs.

C

Oligopoly

Here we have a small number of large competitors, each controling a significant share of the total supply. Since the product is not uniform or homogeneous, a producer may point to unique product features and values and thereby set his brand apart from the rest.

These competitive conditions are normal for most industries in economies that are highly industrialized. Price appeals are still a potent weapon, but promotion can be employed to convince a certain proportion of the market that his particular brand is better and worth seeking out. Therefore the enterpriser will assume this intermediate position: some savings in production and marketing costs will be passed on, but he will keep some excess profits. Part of the latter may be plowed back in still more sales promotion expenditures. Thus, under oligopoly, a division of the savings is made, the relative shares of buyer and seller depending on how much competition there is in the line and how many competitors prefer to compete on a price basis. Moreover, since oligopolistic profits may be plowed back in more plant and equipment, which may bring about still further economies of scale and production efficiency, it is unfair to castigate promotion as a handmaiden of monopoly. Rather, the history of our economic development shows that profit above the "normal" returns under pure competition are shared with the customer and go back into further capital investment. Only a minor proportion is used to hire more salesmen or swell the coffers of Madison Avenue advertising agencies.

III.

EFFECT ON QUALITY OF GOODS

Advertising and selling have been criticized for emphasizing product features that advertise well but do little to enhance the consumers' real enjoyment and value of objective services obtained from the product. Oligopolists have been accused of reducing the quality of materials and workmanship that go into the product. Some plan to have their products wear out before they should in the hope of creating a greater replacement market sooner (planned obsolescence).[13]

Most of these attacks are based on flimsy evidence; in fact, they have no foundation in all but a few instances. The authors believe that the opposite has been true, i.e., that lower prices and better products have actually come about. Some business history will sustain this viewpoint.

For example, General Electric Company sold a standard 60 watt bulb in 1923 for 40 cents; today this 60 watt electric light bulb costs 25 cents, and gives 56 per cent more light with less glare than in 1923. The Pyrex pie plate, 9½ inch size, cost 90 cents in 1924; today it costs 59 cents, is of better glass and less subject to cracking in oven heat, and has a better finish. Kleenex in 1922 sold 200 sheets, nine inches by ten inches, at 65 cents a box; the buyer now gets 300 sheets, the same size, for 27 cents. The manufacturer reports that the sheets are improved in texture, strength, and softness over the 1922 product. The Frigidaire refrigerator in 1929 cost 20 per cent more than the same size today; today's box has improvements over the 1929 model—it has Freon gas, better insulation, a big freezer for frozen food, and an automatic defroster; it keeps vegetables crisper; and the compressor takes up one-half the space. Campbell Soup Company still sells soup for about the same price, ten to 17 cents a can, as it did a generation ago, but the soup is a better product; for example, the chicken soup contains twice as much chicken as it did in 1929. Despite the great criticisms of American automobiles in recent years, few critics would want to go back to the Model T Ford; the Tin Lizzie was a top-heavy, cantankerous vehicle which few modern drivers would care to cope with.[14]

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[13] For a journalistic account of this viewpoint, see Vance Packard, *The Waste Makers* (New York: David McKay Co., Inc., 1960).

Under oligopoly, enterprisers prefer to compete on a nonprice basis. They want to differentiate their product, make it unique, and get it away from the homogeneous condition of wheat, cotton, and other commodities often sold under conditions of pure competition. Although they can point to unimportant features, even nonexistent selling points (as do most cigarette advertisers), people will not be convinced in the longer run and will discount such features as "just advertising talk." Therefore, the sellers must create real and convincing differences. This constant drive for differences over time leads to constant product improvement. It is seldom dramatic (how many real breakthroughs ever occur in the history of any product?), but constant cumulative improvement in products has contributed to the remarkable rise in living standards. For example, the automobile industry does not bring forth startling innovations all at once. One year it may introduce no-draft ventilation, another year balloon tires, another year automatic drive, and so on. After a while the changes cumulate to produce a very different kind of product.

Finally, ability to sell and advertise under a brand or trademark makes it possible for the owner of the brand to be the beneficiary of good will accruing from a better product or service. Such an advantage is an incentive for enterprisers to look to the longer run. Instead of getting in a market, deceiving people, and making money before consumers wake up to the deception, enterprisers are building for the future. If they do not maintain the quality of their products, buyers will be disillusioned, the brand image will be impaired, and consumer franchise will be lost. This change in emphasis to the longer run view by business enterprise has further increased the importance of quality considerations.

THE PROBLEM OF DEFENSIVE SALES PROMOTION

Many critics of promotion have deplored the defensive aspects of advertising and selling. As an illustration of this matter, assume that only three companies supply the market for a certain category of merchandise and that the three competitors are about the same size, have nearly equal shares of the market for product X, and have been spending the following amounts for advertising:

Company A	$5	million annual appropriation
Company B	6	million annual appropriation
Company C	4½	million annual appropriation

Seeking more business, Company A increases its advertising appropriation by $2 million for the next fiscal year. Since B and C fear they will lose their respective market shares to A, each attempts to offset the action of aggressor A by increasing its appropriation by a similar amount.

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[14] Many of these examples are drawn from Otto Kleppner, *Advertising Procedure,* 4th ed. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1950), pp. 674-75.

In the resulting struggle, A gets customers away from B and C; B secures customers from A and C; and C secures business that would otherwise go to A and B. Each loses its own customers to its two competitors. In short, a mutual exchange of customers takes place, but all end up in about the same relative positions as before and each has approximately the same market share. If the creative quality of the advertising of one is superior to that of the other two, some differential effect may occur, i.e., the former may end up with a favorable net balance of customers. But what benefit accrues from the expenditure of the extra $6 million? Only the advertising media, agencies, and other recipients of the largesse gain. The extra funds come from the profits that would go to the stockholders or owners, or from the public in the form of a higher price for the product, or perhaps both groups.

This mutual switching argument is convincing on the surface. Since it is probably the most telling criticism that can be leveled on economic grounds, it needs careful analysis to test its validity.

FALLACIES IN THE DEFENSIVE ADVERTISING AND SELLING ARGUMENT

The above example assumes that the products made by each company are identical, or almost so. There is no product superiority or unique selling point. If there is and A has it, the company can substantially increase its market share by getting the customers of B and C to try its demonstrably superior product. It also will not lose as many customers to its competitors, since the consumers will soon learn that the other brands do not have the unique advantage of brand A. Thus the added advertising expenditure will aid the company with the better product to get a larger share of the market. This is not economically undesirable, unless A ends up with all the market and secures a monopoly position. Before this happens, B and C are likely to counter A's advantage in product attribute with improvements and betterments of their own. This, too, is desirable from a social standpoint.

Another fallacy is the tacit assumption of the example that the primary demand will be a constant—that there will be no change in the demand for the product qua product from the added advertising effort. Little evidence from advertising history bears out this assumption. In the first place, although the per capita consumption of a product may be stable, the population is increasing. There is always a new audience to whom to sell a generic product; the American market is a passing parade. People are also always predicting market saturation for old products that have been on the market for a while. For example, in 1906 an authority on automobile marketing stated: "Just about everybody who can possibly afford an auto has been sold one—from now on the industry must look forward to just replacing those in the hands of the public." In 1920 experts in the cigarette field were predicting market saturation at 45 billion cigarettes a year; by 1930 sales volume was 130 billion; by 1940, 181 billion; and by 1950, 400 billion. Radio as a medium was badly hurt by television. There were 146.2 million radio sets in the hands of the public by the beginning of 1958. Experts said few new radio sets could be sold that year, but more than 15 million new sets were bought in 1958.

Many market analysts have concluded from such data that there is no such thing as market saturation. Products wear out; new people come along who need them; new uses for them are found; and intriguing variations are developed which give them new cycles of popularity (popularity of gas lights in the late 1950's).

Any advertising, including competitive advertising, keeps the product before the public and reminds the latter of its utility. This constitutes a stimulus to continued consumption of the product.

Most competitive advertising and selling have a pioneering strain. When Ford, for example, advertised its compact, the Falcon, it not only sold people on its particular brand, but also stimulated the sale of *all* compact cars.

Social patterns and customs are subject to change. One reason why the American economy has been progressive is the fluidity of change and lack of stereotyping of our customs. Advertising is among the influences in our economy that speed up the rate of change. Neil Borden in *The Economic Effects of Advertising* makes the point that the greatest single contribution of advertising to our economy has been to make consumption dynamic. People must be willing to accept a higher standard of living, to break old behavior patterns, to tolerate change. Once a new product has been introduced, the pressure of social conformity aids in spreading its adaption. Word-of-mouth communication spreads it horizontally within the social group. Advertising starts the ball rolling and reinforces and speeds up the rate of dissemination.

SALES PROMOTION AND CONSUMER CHOICE

Some people accuse promotion of giving the American consumers such a bewildering choice of goods that they cannot choose wisely; other people berate it for creating monopoly and giving consumers too little choice. What is the truth?

Leland James Gordon points out that consumer freedom is quite restricted, even in a free enterprise economy.[15] A combination of social and economic constraints are at work.

A. *The Family*

Many consumption patterns are handed down from our ancestors. In primitive societies nearly all consumption is conventionally ordained by tribal tradition and social pressure. The people fear punishment from the supernatural if they depart from conventional norms of behavior. This stereotyping of patterns makes it difficult to introduce change into such societies.

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[15] "The Nature of Consumer Freedom of Choice," in Sandage and Fryburger, *The Role of Advertising* (Chap. 8). The section that follows is drawn from this source.

B. *The Group*

Society sets up and prescribes consumptive norms. Because people are gregarious, want social approval, and desire identification with given reference groups, many of their purchases with their scarce purchasing power are predetermined by society. David Riesman points out that modern man is increasingly "other directed"—wishes to conform to group patterns, compared with his "inner directed" ancestors.[16] For example, William H. Whyte, Jr. showed that the rising young executive must live in certain sections of town, have a house of certain value, dress in a certain style, buy a car within a certain price range, and the like.[17] At the same time his wife should have a certain kind of educational and family background and is carefully groomed by the older corporation wives as to where to dine, what to wear, and what stores to patronize.[18]

Some authorities are alarmed by this rise of conformity and decline of individualism in our culture. To the extent that this tendency is at work,[19] individual choice is largely replaced by socially directed choice. The young executive family, for example, as a condition precedent for its present position and future prospects, accepts a "package" of goods and services, a standard of living it is expected to maintain. This may take almost all the family's income, leaving little to express individualistic preferences and wants.

C. *Religious Authority*

Religion has always been an important conditioning influence on consumption. The adherents of a sect may eschew such items as meat, alcoholic beverages, tobacco, and coffee.[20] The old Puritan ethic that extolled thrift, hard work, and vigorous competition helped the American economy acquire capital by deferring current consumption and allowing the formation of instrumental capital. These values are beneficial in an economy of scarcity in an underdeveloped area, but they are not so appropriate in an economy of abundance. The purchasing power circulation is not sufficient to purchase all goods and services currently produced; at the same time, oversaving may take place, creating funds that cannot find outlet in sound, socially desirable business projects requiring capital.[21]

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[16] David Riesman, Nathan Glazer and Reuel Denney, *The Lonely Crowd* (New York: Doubleday & Company, Inc., 1954), pp. 22-23.

[17] "The Wives of Management," *Fortune,* October 1951, p. 88.

[18] William H. Whyte, Jr., "The Corporation and the Wife," *Fortune,* November 1951, p. 150.

[19] Conformity to group norms has always been a strong tendency in all societies. It is probably no stronger today than in the past. We are more conscious of its existence because of the excellent sociological studies that have dealt with it, such as *The Lonely Crowd.*

[20] The Amish people who live in Western Pennsylvania and Eastern Ohio are a good example of how profoundly religion may condition living patterns. They will not own motorized implements, such as tractors and automobiles, use artificial fertilizer, buy clothes other than the traditional garments, cover their properties with insurance, smoke, or use alcoholic or malt beverages. They also disapprove of providing education beyond the eighth grade for their children.

Thus, old values and behavior patterns alter too slowly to keep up with rapid material advances; there is a cultural lag. The function of advertising and promotion is to help overcome this cultural lag, to break old stereotypes, to keep consumption dynamic and flexible.

D. *Nature*

The nature and abundance of a country's resources restrict and determine consumer choice in a fundamental way. Climate is another important influence.

E. *The Economy*

The abundance or scarcity of goods and services and the degree of equality in the division of the national income greatly restrict consumer choice. As Arno H. Johnson points out, families on a subsistence level had barely enough money to maintain the basic needs for food, clothing, and shelter, but the typical American family in 1957 had an income of $7,500, of which about one-half was discretionary income.[22] Thus, the rising standard of living enjoyed in America and Western Europe in the post World War II era increased theoretical freedom of choice by giving people the means of expressing peculiar or individualistic wants.

F. *Degree of Socialization of Expenditure*

By the early 1960's government expenditures made up more than 25 per cent of the gross national product of the United States. Most of these were for national defense; the rest for police, courts, municipal services, social security payments, relief, and the like. Those in military service have virtually no freedom of choice: a soldier's food, clothing, shelter, and other items are prescribed by the military establishment. Nor do people in jails, hospitals, and other public institutions. Although such socialization of expenditure all but eliminates consumer choice, the most profound effect is on nonsocialized consumer choice. To the extent that the government pays for its expenses through current taxation, consumer freedom of choice is accordingly reduced. An over-all reduction of one-quarter is no small influence.

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[21] This is essentially the position of the economists who follow John Maynard Keynes. See Seymour E. Harris, ed., *The New Economics* (New York: Alfred A. Knopf, Inc., 1947).

[22] "The Growing Importance of Advertising in Our Economy," in Sandage and Fryburger, *The Role of Advertising,* pp. 35-36. Discretionary income is that income left after food, clothing, and shelter have been provided for.

6

Discrimination

Discrimination on the basis of caste, color, creed, or origin restricts the freedom of people in minority groups to choose consumer goods and services. For example, in certain sections of some American cities, Americans with certain skin color or national origins cannot buy or rent property. A strict caste system, such as that found in India, may also restrict freedom of consumption.

The seven restrictive factors discussed above make one wonder whether the consumer has any freedom of choice at all. However, there are a staggering number of possible choices on the marketplace. Borden estimates that more than a million different brands have been marketed at any given time in recent years. A recent issue of the Milwaukee Journal *Consolidated Consumer Analysis* indicates that 53 brands of coffee, 43 brands of pretzels, and 132 brands of hardwood floor cleaners were for sale in that city. Other evidence could be adduced to prove that the American consumer does in fact have a wide choice of alternatives from which to choose. No Milwaukee housewife has the time or energy to buy, brew, and compare each of the 53 brands of coffee available. When she first sets up housekeeping, she will either (a) buy the brand her mother used at home or (b) try several she sees advertised and displayed at her supermarket and settle on the one her husband likes. Thereafter she establishes a routine purchasing habit until something comes along to disturb it.[23]

Settling on the choice of a specific brand eliminates the need to reassess the market with its bewildering array of choices each time a routine requirement comes up. When the customer needs a high unit value, infrequently purchased item, he generally goes through an exploratory phase. The item is expensive enough to justify spending time and effort to make a wise choice. The consumer has little previous experience to guide him or her and has no habitual pattern to fall back on. Thus a reassessment of the market offerings occurs each time the consumer purchases a car, major appliance, overcoat, evening dress, or another expensive item.

The role of advertising in aiding consumer choice varies with the type of good. It may have a strong initial influence for a convenience good, but once a habitual buying pattern is established here, it may be hard for any selling influence to break it. Advertising has less influence for a shopping or specialty good; its role is to call attention to the brand and induce the prospect to put it on his list of alternatives to explore. It is then up to personal selling to demonstrate and sell that brand of shopping or specialty good when the prospect comes into the store or showroom to investigate and compare the brand with others. Probably no automobile advertisement can ever sell a car, but that is not its function. Its task is to impress the prospect with some feature, or design feeling tone so that he includes a visit to the brand's showroom where, manufacturers hope, the salesman will take over.

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[23] Such an influence might be deterioration in quality of brand habitually bought, change in taste of user, strong advertising claims of a competing brand, verbal recommendation of a friend or relative to try another brand, or salesperson influence.

SALES PROMOTION AND MONOPOLY

Many critics argue that the small business man does not have a chance against the corporate giants—the latter can outspend him for advertising and selling many times over. This problem is not solely related to promotion. It is even more serious when it comes to capital requirements. The small business man is denied entry into many fields which require large investments in capital. For example, small business men cannot compete in steel because it takes from $50 million to $75 million just to set up a mill of minimum efficiency. The same is true of automobiles, trucks, rubber tires, and a multitude of lines of industry.

However, a small business man may become large if he comes up with a superior product and knows how to advertise and sell it effectively. A small, but well-used, sales and advertising budget has launched many a product on the road to success. For example, the initial expenditure on advertising for Glass Wax was $50,000; for Toni, $5,000; for Jules Montenier (Stopette), $55,000 for all promotion.

Advertising has played a part in fostering oligopoly or imperfect competition. In many kinds of business the market is divided among a few large competitors who compete on a nonprice basis. However, the major explanation for this may be financial rather than advertising. Firms merge and form into huge aggregations of capital because of financial considerations and the control this makes possible over supply. Ability to attract demand to the resultant oligopoly's brand is less crucial than ability to form the oligopoly in the first place. Then, as shown above, offsetting economies of scale, more rapid capital accumulation, and therefore more rapid expansion have been made possible by the higher-than-normal profits plowed back into the business.

Advertising has probably helped to reduce the risk in introducing new products to the market. Word about a new, better product would spread very slowly by natural diffusion of communication through the population. Advertising speeds up the introduction, gets economical level of sales faster, enables enterprisers to get quicker returns on the undertaking, shortens the period during which a loss must be borne, and reduces the risk of failure of a new item. Thus, enterprisers are more willing to assume risks of product innovation. This in turn aids in speeding up the rate of change in our society.

There are many examples of how the rate of product innovation has been speeded up in modern times. One-half of the billion dollar sales made by Proctor and Gamble are from products introduced within a ten-year period. Pillsbury Mills in 1959 stated that it expected half of its profits between 1960 and 1965 to come from products not yet on the market. Products launched since World War II accounted for more than a third of a billion dollars in Pillsbury sales since 1958.[24] By reducing risk of failure of new products and compressing the time required between introduction and the first dollar of profit returned, promotion has greatly stimulated willingness to invest and to innovate.

PROMOTION AND CAPITAL VALUE

Advertising helps to build the capital value of a company. Marion Harper, Jr. conducted a survey of a group of brokerage firms. He asked the question, "Does advertising build capital value?" The consensus was, "We are sure it does, but we have not seen conclusive proof."[25] Donald C. Power, president of General Telephone Company, has stated that the effect of the Company's advertising program was to add 50 cents conservatively, probably two dollars, per share to the value of company stock.[26] Over a seven year period, Revlon, mainly as a result of its aggressive advertising campaign, increased sales 400 per cent and enjoyed an appreciation of over 300 per cent in its share value.

As Harper points out, conservative accounting practice values the good will of a company at $1.00 on the balance sheet, but the actual value created by promotion may run into the millions. Since it is revenue-producing, good will is just as much of an asset as the tangible possessions of the firm, land, buildings, equipment, and raw materials.

PROMOTION AND SHODDY MERCHANDISE OR FRAUDULENT SCHEMES

Critics often castigate promotion because it is used to deceive the public into buying merchandise of poor value or outright fraudulent. However, many tools are used for good or for ill—a razor blade, useful for removing unwanted hair, may be used to slash a throat; the useful automobile kills thousands of Americans on the highway every year. That dishonest people use promotion as a tool does not mean it should be abolished.

PROMOTION AND PRICE RIGIDITY

A basic characteristic of oligopolistic competition is the policy decision of competitors to compete on other than a price basis. Each competitor is so large that he may affect the market price by withholding his segment of supply from the market. When the competitors of an industry act in concert by withholding supply, the result is administered prices. Prices are kept stable by adjusting supply to fit changes in demand. For example, during the Great Depression, the prices of automobiles declined only 10 per cent between 1929 and 1931, but the quantity produced declined by more than two-thirds.

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[24] *Advertising Age,* June 1, 1959, p. 64.

[25] *Ibid.*

[26] *Ibid.*

As a tool of nonprice competition, advertising and selling aid in making prices stable. Prices become "sticky," or not so sensitive as they should be in adjusting to the forces of supply and demand. There are several offsets or qualifications to this tendency.

(1) At a time of scarcity, the oligopolist does not raise prices so much and so quickly as a businessman would under perfect competition. For example, directly after World War II automobile manufacturers faced an unprecedented pent-up demand for their product. Although they could have doubled prices at once and still have sold all they could make, they realized that such opportunistic pricing would create resentment and impair the good will of the respective companies. Hence they held the price line.

(2) Advertising may change the elasticity of the demand for the product. In the pioneering stage of the advertising cycle, demand is usually quite inelastic. A small quantity of the good is sold at a high unit price. As advertising creates primary demand for the product by educating the public regarding its advantages, the demand curve is moved upward and to the right (expanded) and its shape or slope is altered. It is generally made more elastic. This gives the enterprisers an incentive to share any production economies (lower costs) with their consumers. When they pass on savings in the form of a lower price for their product, they tap in on new positions on the demand curve which, because of the aforementioned increased elasticity, yield a more than proportional increase in units of product or quantity sold.

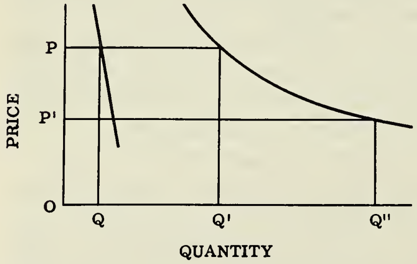

Figure 17.5. *Elasticity of demand.*

Figure 17.5 demonstrates this. The original demand schedule enabled the seller to sell a small quantity, OQ, at a high price per unit, OP. Without advertising and promotion to expand demand the enterpriser would have no incentive to reduce price, since a relatively large price reduction would yield but a small increase in quantity sold. If promotion is used to expand demand and make it more elastic, then under the new demand schedule, the enterpriser can still sell more of his product at the old price POQ′. However, if he reduces the price to P′, he may increase the number of units sold by more, proportionally, than the reduction in price (or by Q′Q″). If by going from OQ to QQ″ he can also obtain economies of scale, he will have a double incentive to reduce prices (favorable effect on revenue, or P times Q, and lower average costs).

Therefore, even though imperfect competition is present in many American industries, oligopolists still have a strong incentive to stimulate volume by reducing prices. Desire for growth for growth's sake, which inflates managerial egos, adds a further incentive to this tendency.

(3) In most fields there will always be enterprisers who choose to compete on a price basis, even in oligopolistic markets. Those consumers to whom savings are important can buy on a price basis by selecting private brands. The existence of such brands is a useful limiting factor for any oligopoly—the oligopolist can only go so far; if his prices are too high, people will begin to purchase the private brands in significant quantities. The oligopolist must stay in line, if he wishes to maintain his share of the market. The discount house has probably had similar salutary effects on the retailing cost structure.

PROMOTION AND THE VALUE ADDED CONCEPT

Proponents of advertising have argued that advertising and selling create a plus value in the goods so promoted. The utility obtained from the consumption of the item is heightened either by calling attention to attributes the consumer otherwise would have been unaware of, or by creating a psychic value that increases the user's perception of utility in the good.[27]

Martin Mayer rejects the want-creating hypothesis for the value-added hypothesis. Mayer explains the latter as follows:

> . . . advertising, in addition to its purely informing function, *adds a new value to the existing values of the product* . . . the consumer will ordinarily perceive the added value in terms of an existing product feature: that is, given two identical cigarettes under different brand names, and shown different advertising slogans for them, he will say that one "tastes better" than the other. But the fact that the value is fictitious as *perceived* by the consumer does not mean that it is unreal as *enjoyed by* the consumer. He finds a difference between technically identical products *because the advertising has in fact made them different.* As a matter of strict logic, advertising *must* somehow change the product to which it is applied. . . . Outside standards of judgment cannot be applied to assess the reality of private gratification.[28]

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[27] Ralph Harris and Arthur Seldon, *Advertising in a Free Society* (London: Institute of Economic Affairs, 1959), pp. 45-46; Frank Knight, *Ethics of Competition and Other Essays* (London: George Allen & Unwin, 1935, pp. 22-27.

[28] Martin Mayer, *Madison Avenue, U.S.A.* (New York: Harper & Row, Publishers, 1958), pp. 310-15.

Since man can really observe no object except through his perceptions, if, through associations induced by promotion, his evaluation of the product's utility is heightened and he gets added psychic pleasure from its consumption, value *to him* has been increased. As Professor Vincent Norris notes, advertising in some cases informs the consumers about benefits of which they would not have been aware and could not have discovered for themselves by experience.[29]

Vitamins obtained from citrus fruit are a good example. Consumers were unaware of the health-giving benefits of vitamins until informed of them through the advertising of the California Fruit Growers Exchange (now Sunkist Growers, Inc.). Knowing about vitamins increased their sense of security, reassured them, and heightened the utility of the citrus fruits containing them, and made consumers absorbing them much healthier.

Norris also shows that advertising increases utility not only by informing the consumer of benefits, but explaining how to derive them—"Here's how you can prepare this dandy pie mix in seconds." Promotion also creates awareness of intangible, often subtle symbolic relationships about a product; such perception greatly increases the enjoyment derived from the product. Schweppes Quinine Water gives the drinker the satisfaction of identifying with the smart world of Commander Whitehead; a Brooks Brothers label in a suit imparts a reassurance to the wearer that he is correctly garbed and will be accepted as such by society; the owner of a Rolls Royce gets a fine mechanism for his money, but, to him, a good deal of the car's value is being identified with the marque. As Norris says:

> The modern assumption that the benefits derived from a good are determined by the interaction of the good and the consumer—by the perception of the good as influenced by the psychological field of the consumer—destroys the validity of the charge that such advertising is uninformative. Such advertising is not only informative, it is productive of utility. Modifying in a favorable manner the perception of a good is no different from modifying the good itself.[30]

Frank Knight emphasized this point 40 years ago:

> . . . the advertising, puffing and salesmanship necessary to create a demand for a commodity is casually indistinguishable from a utility inherent in the commodity itself. . . .
>
> If people are willing to pay for "Sunny Jim" poetry and "It floats" when they buy cereal and soap, then these wares are economic goods. If a certain name on a fountain pen or safety razor enables it to sell at a fifty per cent higher price than the same article would otherwise fetch, then the name represents one-third of the economic utility in the article, and is economically no different from its color or design or the quality of the point or cutting edge, or any other quality which makes it useful or appealing. The morally fastidious (and naive) may protest that there is a distinction between "real" and "nonreal" utilities; but they will find it very dangerous to their optimism to attempt to follow that distinction very far. On scrutiny

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[29] "Advertising and Value Added" in Sandage and Fryburger, *Role of Advertising*, Chap. 11.

[30] *Ibid.*, p. 154.

> it will be found that most of the things we spend our incomes for and agonize over, and notably practically all the higher "spiritual" values, gravitate swiftly into the second class.[31]

As a society goes from a subsistence economy to one of comfort and opulence, an ever decreasing share of the consumers' income is spent on the basic goods necessary for survival—goods whose utilities must be objectively evaluated and which require careful budgeting. An ever increasing proportion of income is spent on "fun" goods and services which satisfy psychic wants rather than material wants.

As Walter Taplin says, "Most of the things we want are not material but mental. We want states of mind. The advertiser, beginning with a material object, which is to be sold, suggests states of mind which may be achieved by the purchaser."[32]

SALES PROMOTION AND THE BUSINESS CYCLE

Advertising and selling aggravate the effects of the business cycle. In prosperous times advertisers have the money to advertise and do so. In a depression they need their liquid assets for more pressing expenses—payrolls, taxes, and other inescapable costs. Advertising is considered an escapable cost; therefore advertising expenditures are cut drastically during a recession.

Advertising *could* be used as a contra-cyclical weapon. It should be reduced during inflationary periods when the demand for goods ought to be depressed rather than stimulated. It *could* be increased during a business setback to stimulate consumer expenditures and put idle facilities back to work.

Advertising expenditures were not cut back a great deal during the last two recessions. In fact during the small post-Korea recession of 1952 advertising expenditures increased about 10 per cent over the previous year even though general business indicators declined about 5 per cent. During the 1958 recession total advertising expenditures fell only 0.1 per cent compared with 1957 at a time when the index of industrial production fell 9 per cent and capital spending declined by 17.3 per cent.

It appears that the American business man is learning the use of advertising to slow down and reverse business recessions by continuing to stimulate the public to consume. As long as general public confidence is maintained, the recession will have a difficult time in gaining a foothold. In 1958 many important business leaders lost confidence in the soundness of our economic situation, stopped spending for capital improvements, closed plants down, and succumbed to depression psychosis. The public, however, kept on spending; this buying, more than anything else, reduced the length and severity of the recession.

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[31] Frank Knight, *Risk, Uncertainty and Profit* (Boston: Houghton Mifflin Company, 1921), pp. 262, 339.

[32] Walter Taplin, *Advertising, a New Approach* (London: Hutchinson & Co., 1960), p. 33.

Chapter 18

Promotion Under Other Economic Systems

The Western world is so accustomed to thinking of promotion within the framework of a free enterprise system that it seldom considers what role it would play in noncapitalistic economic systems.

In other capitalistic countries of the world, promotion has about the same position as in the United States. All kinds of selling and advertising are employed, except in certain countries. In Great Britain, Italy, and France, for example, advertising on radio is prohibited by law. In many other countries, commercial television broadcasting is not allowed, and the medium is a government monopoly. Also, not so much money, absolutely or proportionally, is devoted annually to advertising and selling in other countries. For example, approximately $12 billion was spent on world advertising in 1955; of this amount the United States accounted for $9 billion or 75 per cent of the world total. Nearly 3 per cent of our national income is spent for advertising; it is doubtful that this percentage runs as high in any other country.

The details vary with different cultural and economic conditions. Advertising will not be important in underdeveloped countries, since they cannot afford the resources for it and have a scarcity of products. Symbolic media are employed more frequently in countries with low literacy rates. For example, radio, outdoor posters, and car cards are relatively more important, since these media can carry the picture of the product and may suggest its qualities pictorially without resorting to written copy.

Personal selling is less high pressure in certain areas, such as Latin America. Buyers in such countries resent high pressure tactics and purchase with more deliberation. Negotiations are delicate and protracted, especially in industrial selling. Since these countries have a tradition of reticence in commercial relations, their advertising seems unaggressive to American eyes.[1] Humor is used a great deal more in Latin countries than in the United States; in fact, some of it would be considered in bad taste. The status of the salesman is lower than in the United States, and salaries in saleswork are a good deal less.

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[1] The story is told that one large British soap company advertised that its "wash day product" would get clothes "white." Its competitor, after due thought, claimed that *its*

American advertisers often have to adjust to cultural differences. For instance, the Borden Company had to cease using its trademark, Elsie, the Borden Cow, in India, since the cow is sacred to the Hindu population. Sometimes a trademark must be altered. For example, before the Communist revolution, the Quaker Oats Company did a good business selling its cereal products in China, but it early found that its trademark, the Quaker gentleman, meant nothing to the Chinese, and if translated into their language had to be rendered "The Man Who Shakes"—not a very apt trademark! Quaker Oats change the trademark to "Old Man Oats"; this was a good alteration, as the Chinese of those days revered the aged as a figure of authority.

Under Fascism there was little change in advertising and selling practices. Although the state interfered with many important areas of the Italian and German economies (controlling production, prices, currency, and foreign trade) there is no evidence that sales promotion was inhibited or controlled in any way. In fact, the government propaganda people made intensive use of publicity methods to sell their points of view.

Communism, however, has completely different attitudes toward and employment of promotion. Karl Marx appropriated the labor theory of value from the early Classical school of economics and made some significant deductions. Since value is an objective matter, measured by the amount of past and current labor embodied in the product, the only legitimate returns are wages and salaries. Interest cannot be justified, since the capital of the country belongs to the people. Profits are evil—they are wrung from the workers by exploitation. Since advertising and selling under capitalism are used to increase company profits, they are instrumentalities to extort what rightfully belongs to the workers. Thus, promotion is morally wrong.

Moreover, in a properly working communist economy, promotion is redundant and unnecessary. The state planning authorities decide what kinds of goods and services are "best for the people," and maintain a balance between how much capital goes into heavy industry, machinery, and equipment to create instrumental capital and how much goes into producing consumer goods. Labor, capital, managerial services, materials, and power are allocated to the various consumer goods industries in accordance with their relative importance and the relative abundance of productive factors. For example, if the planning commission decides that the resources, human and material, can be afforded from more urgent requirements, it may plan to produce one million automobiles in the next year. That will be the supply. Demand is not a problem in a goods-hungry country; people will buy those cars.

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product would get clothes "whiter." The latter was considered a startling claim in British soap circles.

Undue proliferation of marketing services in general were considered economic waste under early Marxian doctrine and should be minimized, as is shown by the following quotation from an economics textbook used in the U.S.S.R.:

> Two kinds of capitalist costs incurred in the sphere of trade must be distinguished: first, net costs of circulation, which are directly connected with the purchase and sale of goods; and second, costs arising from the extension of the production process into the sphere of circulation.
>
> The predominant and continually growing share of the cost of circulation in capitalist trade is taken by the net costs. To this category belong the expenses arising from competition and speculation, from advertising, the greater part of the wages of commercial employees. . . . Net costs of circulation, as Marx showed, do not add one jot of value to the commodity. They constitute a direct deduction from the total sum of values produced in society. The increase in the net costs of circulation testifies to the growth of waste under capitalism.
>
> With the development of capitalism a colossal trading apparatus with manifold links is built up. Before they reach the hands of the consumer, commodities pass through the hands of a whole army of merchants, speculators, retailers, and agents.
>
> The anarchy of capitalist production brings about the piling up of extraordinary stocks of commodities and lengthens and distorts their channels of movement. In the overwhelming majority of cases capitalist advertisement is connected to a greater or less extent with swindling the customer and gives rise to superfluous and expensive packing of goods.[2]

Note how little recognition is given to marketing functions. The costs of marketing (termed circulation) add nothing to the value of the product; therefore they should be minimized. Advertising is the least justifiable marketing function, as it is used to exploit (swindle) the masses in capitalistic countries! Yet there is tacit recognition that marketing functions must be performed, or the communist authors certainly would have recommended their complete abolition.

Later in the same text there is a relaxation of the aforementioned negative attitude toward advertising:

> Trade under socialism is the form of commodity exchange by which a planned connection between town and country, socialist production and popular consumption, is achieved, for the purpose of satisfying the growing demands of the working people.
>
> Soviet trade actively influences the formation of consumer demand and helps to introduce new commodities into daily use. In doing so, it utilizes advertising as a means of honest information for the consumer about the quality and uses of different commodities. This contrasts with capitalistic advertising, which is for the purpose of making profit at the expense of the consumer.
>
> The high level of purchasing power in the U.S.S.R. does not in any way mean that any commodity is automatically assured of sale. With the rising

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[2] *Political Economy*, a textbook of the Institute of Economics of the Academy of Sciences of the U.S.S.R., n.d., p. 200.

> living standards, the requirements of the masses of the people are becoming increasingly more varied and there is a growing demand for quality goods. A necessary condition for the more complete satisfaction of the population's demands is the elimination of defects in the planning of the production of consumer goods and commodity circulation which often takes place without demand being properly taken into account. Trading organizations must be able to quickly adapt themselves to changes in demand. They are required to secure a steady improvement of service to the consumer, serving the convenience of customers and saving their time."[3]

Here is recognition that advertising can have a useful function, even in a communist society, of providing the consumer with information about new commodities and shaping demand for goods produced. However, advertising is only all right if used by the communists; the capitalists use it to swindle the consumer!

Paragraph three of the extract above is an interesting confession that the state planning authority might make a mistake in assaying the public demand for a product. Earlier literature said that such temporary gluts would be no problem—the planners would simply lower the price until the surplus disappeared. Yet in a "budget-justified" economy, as Kenneth Boulding terms it,[4] costs of production apparently must still be covered. Socialist authorities have come to prefer the stimulation of demand at a compensatory price to lowering the price until the surplus is cleaned up. Thus they are following the same alternative as that chosen by the oligopolists in a capitalistic system.

To summarize, although it theoretically views all promotion as economic waste, modern Marxism seems to sanction a limited amount of advertising for the following purposes:

(1) *To convey to the public and the purchasing agents of the various state trusts information about where and how to obtain goods.* Thus, directory type of advertisements are run in Soviet industrial and trade magazines.[5] There are a large number of industrial publications in the Soviet Union, such as *Automobile Transport* (71,000 circulation) and *Canning Industry* (1,650 circulation). As a result of a Soviet-British trade agreement signed in May, 1959, 340 British companies advertised in Soviet publications in the course of a year.[6]

(2) *To introduce a new product to the market.* Occasionally the Russian trusts will run a consumer advertisement in newspapers or magazines or on poster media to familiarize the public with a new good or service. For instance, Aeroflot, the Soviet airline, engaged in such advertising to familiarize the Russian public with the advantages of air trans-

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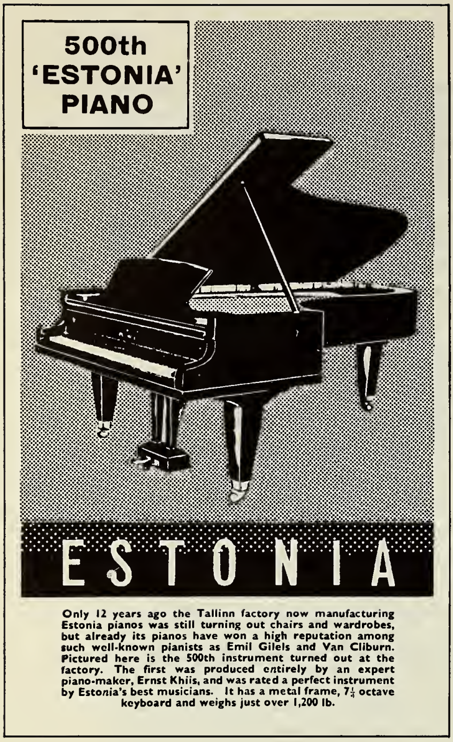
[3] *Ibid.*, p. 672.

[4] Kenneth E. Boulding, "Symbols for Capitalism," *Harvard Business Review*, January-February 1959, pp. 41-48.

[5] "Admen Infiltrate the Kremlin," *Printers' Ink*, June 11, 1960, p. 129.

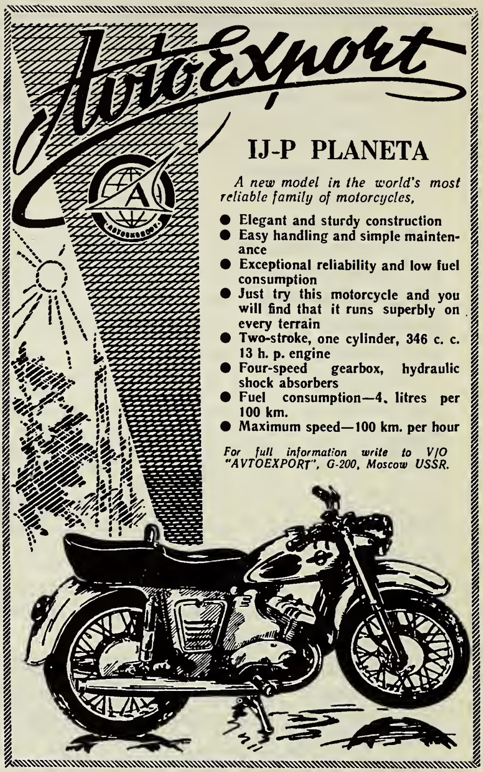
[6] *Ibid*, p. 130. The U.S.S.R. allows F. C. Millington, Ltd., the British advertising agency which handled the Russian advertisements in question, a commission of 35 per cent on billings, compared with the usual commission of 15 per cent in the U.S.A.



500th 'ESTONIA' PIANO

ESTONIA

Only 12 years ago the Tallinn factory now manufacturing Estonia pianos was still turning out chairs and wardrobes, but already its pianos have won a high reputation among such well-known pianists as Emil Gilels and Van Cliburn. Pictured here is the 500th instrument turned out at the factory. The first was produced entirely by an expert piano-maker, Ernst Khiis, and was rated a perfect instrument by Estonia's best musicians. It has a metal frame, 7¼ octave keyboard and weighs just over 1,200 lb.



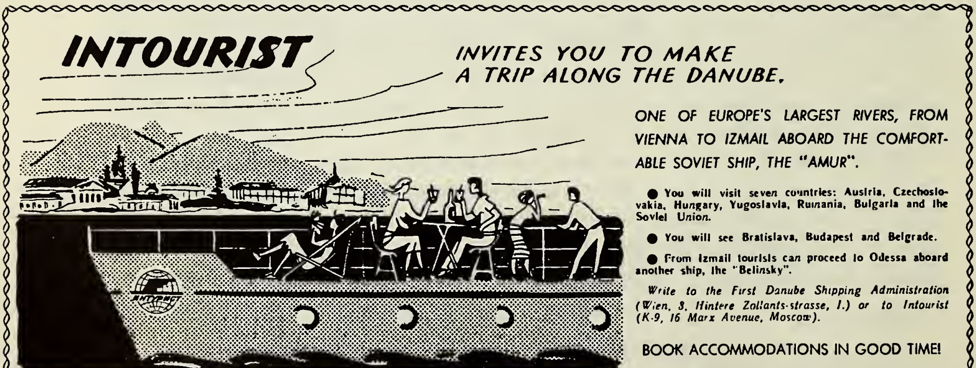
AvtoExport

IJ-P PLANETA

A new model in the world's most reliable family of motorcycles,

- Elegant and sturdy construction
- Easy handling and simple maintenance
- Exceptional reliability and low fuel consumption
- Just try this motorcycle and you will find that it runs superbly on every terrain
- Two-stroke, one cylinder, 346 c. c. 13 h. p. engine
- Four-speed gearbox, hydraulic shock absorbers
- Fuel consumption—4. litres per 100 km.
- Maximum speed—100 km. per hour

For full information write to V/O "AVTOEXPORT", G-200, Moscow USSR.



INTOURIST

INVITES YOU TO MAKE A TRIP ALONG THE DANUBE,

ONE OF EUROPE'S LARGEST RIVERS, FROM VIENNA TO IZMAIL ABOARD THE COMFORTABLE SOVIET SHIP, THE "AMUR".

- You will visit seven countries: Austria, Czechoslovakia, Hungary, Yugoslavia, Rumania, Bulgaria and the Soviet Union.
- You will see Bratislava, Budapest and Belgrade.
- From Izmail tourists can proceed to Odessa aboard another ship, the "Belinsky".

Write to the First Danube Shipping Administration (Wien, 3, Hintere Zollants-strasse, 1.) or to Intourist (K-9, 16 Marx Avenue, Moscow).

BOOK ACCOMMODATIONS IN GOOD TIME!

Figure 18.1. *Examples of Russian advertising.* ("World of Advertising," January 15, 1963. Copyright 1963, Advertising Publications Inc. By permission)

portation during the mid 1950's. Large shops and department stores sometimes advertise new items locally.

(3) *To dispose of temporary surpluses of goods.* When the state planning authority miscalculates the demand for a product at prices necessary to cover costs, it often prefers to stimulate demand for the product at a remunerative return rather than force an equilibrium at lower prices. This strategy has not been used often in the U.S.S.R., since there are usually shortages of nearly all consumer goods rather than surpluses. Their advertisements are certainly not "hard sell"! If the U.S.S.R. ever achieves a comfort standard, there will probably be an increase in advertising.

(4) *For export purposes.* Some industrial advertising had been done by the U.S.S.R. abroad (especially in the satellite countries) with the purpose of selling Russian products in other countries.

Personal selling is still nonexistent in Russia. They do have retail clerks, but Professor Wroe Alderson, who made a first-hand study of the Soviet marketing system, reports that there was no creative selling activity in the stores he visited, even in G.U.M., the largest Moscow department store (three stories high, 15 acres in extent). Customers sought and inspected the goods on their own. The only apparent functions of the "sales clerks" were to take money, keep displays orderly and stocked, and watch for pilferage.[7]

Elizabeth Swayne, after undertaking a 5,000-mile tour of the U.S.S.R., reported evidence that a marketing revolution was taking place in Russia. For one thing, the Russians are beginning to sell goods on time. Nine categories of "cultural goods" in the Ukraine and 25 in Georgia can be bought on credit (watches, photographic equipment, radios, motorcycles, sewing machines, yardgoods, furs). Miss Swayne found there is greater effort to serve consumer needs. A limited array of merchandise is sold by mail order; home delivery of bulky merchandise was being introduced; and new stores were being constructed in the rapidly growing cities. She also reported evidence of marketing research by Soviet planners to study family incomes, and spending and demand factors. The planners apparently are recognizing the need to evaluate consumer wants. Finally, she told of more time and money being put into advertising. Store displays, formerly the major advertising medium, are being modernized and revamped in line with Western practices; several new consumer advertising magazines have appeared; and three-minute advertising commercials have been shown in theaters and over the state television stations.[8]

Planners are also recognizing that advertising is a taste maker. Miss Swayne quotes their statements from Soviet publications:

> Improvement in advertising will contribute toward a more effective trade organization, better service to the public, and a further increase in sales.

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[7] "Marketing Consultant Takes a Firsthand Look at Distribution in the U.S.S.R.," *Industrial Marketing,* October 1955, pp. 71-73.

[8] *Printers' Ink,* August 14, 1959, pp. 22-30; August 21, 1959, pp. 21-32.

Another says:

> Every effort must be made to raise Soviet commercial advertising to the necessary level. It must educate the people's tastes, develop their requirements, and simultaneously actively shape the demand for goods and contribute toward the rise of culture in local trade.[9]

It is impossible to say whether such changes in attitude presage a marketing revolution in which Soviet distribution will become more and more like that of capitalistic nations and Soviet products will compete vigorously with those of the Western democracies for world trade. However, early Marxist dogma against marketing and promotion is giving way to distinct recognition of the necessity of a good marketing system and the employment of advertising as a tool of state planning. Indeed, the two statements above sound like those of the American "apologists" for advertising!

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[9] *Ibid.,* August 14, 1959, p. 24.

Chapter 19

Ethical and Moral Effects of Promotion

Selling and advertising are severely criticized for their ethical and moral effects on our culture. This subject presents difficulties, for it is hard to even define the terms. Also, the issues are so tied up with intangible values that one might argue forever about them, for they involve the ultimate goals, aspirations, and values of society, philosophical questions of right and wrong, materialism versus spirituality, spartan simplicity versus epicurian indulgence—all these have concerned thinking men since the dawn of recorded history, and perhaps before that.

More has probably been written about the moral effects of promotion on society than any other topic with which we shall deal. Since advertising, particularly, is so conspicuous and a convenient target, critics of various persuasions have lambasted it. People feel strongly about the subject and often speak of it in unrestrained, emotional terms. Just what do people object to? To answer this question it will be necessary to classify the major types of criticisms on moral grounds and to discuss each as objectively as possible. However, it is better to first define terms and trace the origins and development of ethical and moral standards in our culture.

ETHICS AND MORALS

The Greek word for *ethics* and the Latin term for *morals* or *morality* originate from the same root, the Greek word *ethos,* meaning custom or a habitual mode of conduct. Ethics is the systematic study of moral ideas and goals, motives of choice, and patterns of good and bad conduct; morals are the study of the actual patterns of conduct. Thus, ethics deals with moral experience, while morals involve the system of conduct in different cultures and at different times.

SOURCES OF ETHICAL AND MORAL CONCEPTS

James Henry Breasted points out that moral ideas about religion and ethical relationships originated within the family group. They spread from the family to the groupings of families (tribes and clans) to the state, which appeared in Egypt around 4,000 B.C.[1] Breasted writes:

> The realm of family life reached a high development as a world of tender emotions, inevitably inclining to become those of approval and disapproval, and leading to notions of praiseworthy or reprehensible conduct. Voices within began to make themselves heard, and moral values as we know them were discerned for the first time. Thus, both the organized power of man *without,* and the power of the moral imperative *within* came to become forces in shaping Egyptian religion. . . . The earliest known discussion of right and wrong in the history of man is embedded in a Memphite drama celebrating the supremacy of Memphis and dating from the Fourth Millennium B.C.[2]

Breasted feels, however, that such ethical and moral concepts, although primarily arising out of family relationships, were solidified by the thinkers of ancient Egypt, rather than by the people. After they ramified into religious doctrine, which was developed by the priestly body of temple thinkers, they gradually diffused from the aristocrats of the royal court and the temple priesthood to first the provincial nobles and then the masses.[3]

McDougall, the founder of the study of social psychology, agrees with Breasted's view, derived from anthropological study, that the ethical impulses in the life of man have grown out of influences that operate in family relationships. He states:

> From this emotion [parental tenderness], and its impulses to cherish and protect, spring generosity, gratitude, love, pity, true benevolence, and altruistic conduct of every kind; in it they have their main and absolutely essential root, without which they would not be.[4]

Any wrong toward a child inevitably produces anger and resentment. This connection between tender emotions and anger is significant:

> For the anger evoked in this way is the germ of all moral indignation, and on moral indignation justice and the greater part of public law are in the main founded. Thus, paradoxical as it may seem, beneficence and punishment alike have their earliest and most essential root in the parental instinct.[5]

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[1] *The Dawn of Conscience* (New York: Charles Scribner's Sons, 1933).

[2] *Ibid,* p. 19.

[3] *Ibid.,* p. 20.

[4] W. McDougall, *An Introduction to Social Psychology,* rev. ed. (Boston: John W. Luce & Co., 1909), p. 74.

[5] *Ibid.,* p. 75.

Ethical concepts have generally been prescribed by organized religion. Those of ancient Assyria and Egypt involved definite moral codes regulating conduct and group attitudes. Judaism, Christianity, Mohammedism, Buddhism, Confucianism, and most other religions inculcate moral precepts besides dealing with matters of worship and ritual. Thus, although there are systems of ethics,[6] religion is the embodiment of the moral standards of a culture.

Modern social psychologists have classified group ways of looking at things into detailed categories. The following categories range from behavior patterns ungoverned by social sanctions or coercion to those strongly governed with prescribed punishments for violation:[7]

Coenotropes—physical adjustment patterns to the environment. These are like ordinary habit patterns, e.g., turning up one's coat collar in the face of a gale. Such common patterns of adjustment are completely uncoerced.

Folkways—primarily uncoerced universal customs. These voluntary cultural adjustments are stable and generally followed by the people. Examples in our Western culture are, shaking hands on meeting a friend, eating three meals a day, tipping one's hat to a lady, and wearing shoes. These folkways cover a good proportion of our daily habits and vary from culture to culture. A person who does not follow a folkway may be considered a boor, or a bit eccentric, but society does not punish the deviator. For example, one who does not wear shoes, especially in winter, may be ridiculed, but he is not cast out of society nor thrown into jail.

Mores—socially coerced universal customs. They originated from folkways that had strong ethical generalizations pertaining to social welfare attached to them. Violation of a folkway leads to laughter or at most mild ostracism. Violation of mores results in public resentment and scorn, strong ostracism, or even violent reprisals, such as lynching. Examples are sex behavior, nudism, violation of property rights and violation of parent-child relationship.[8]

Mores are regimented rather than voluntary patterns. Fear of disapproval or ostracism makes people conform. The Amish, for example, call such punishment "shunning." In a small, socially integrated community, ostracism is probably the strongest force; man is so gregarious that he suffers when denied relations with his kind. Even chimpanzees cry mournfully when isolated from their group.[9] Excommunication by the Catholic Church works on the same principle.

Mores change gradually. For example, a woman who used cosmetics and/or smoked cigarettes at the turn of the twentieth century was considered "a brazen hussy." The mid-Victorians were shocked by the undraped human body, but thought nothing of discussing body functions in a manner that would be considered poor taste today.

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[6] Nicomachean (Aristotle), Epicurean (Epicurus), Stoic (Zeno, Seneca, Marcus Aurelius), metaphysical (Spinoza), Utilitarian (Mill, Bentham), and others.

[7] Daniel Katz and Richard L. Schank, *Social Psychology* (New York: John Wiley & Sons, Inc., 1938), pp. 14-25.

[8] Advertisers are sometimes shocked by the enraged outcry that comes when they violate one of our society's mores, such as interference with the parent-child relationship. For an excellent case, see S. R. Bernstein, "Good Taste in Advertising," *Harvard Business Review*, May 1951, pp, 42-50.

[9] Norman L. Munn, *Psychology* (London: George G. Harrap & Co., 1946), p. 222.

Institutional Ways—uniform behavior arising from membership in a social organization, political party, business corporation, church, lodge, school or the like. Institutional ways are not universal, but isolated, since they are confined to the institution's membership. Social coercion keeps the members in line. A person may be a member of several organizations at the same time. He behaves differently in each, thereby adhering to the customs peculiar to the organization, e.g., his behavior in church will be different from that at a lodge meeting.

Stateways—administrative and legal functions of the government. These have the power of society behind them and are highly coercive, since they may entail deprivation of life, liberty, or property; sometimes public shame is involved as well. Legal authorities have often pointed out that good laws originate from mores, but not vice versa. When a law carries social sanctions as well, its power is greatly enhanced;[10] but when a law is contradictory to the customs of the majority of the people, it is usually ineffective. Such an enactment weakens respect for the law in general. A good example was the prohibition amendment to the United States Constitution.

ETHICS OF PROMOTION

Discussion of the role of ethics in promotion brings up a fundamental ethical issue; namely, the admissibility of persuasion itself in our society. Should the seller be confined to objective fact, or may he properly engage in argumentation? May he "puff his goods"? Flatter them? Put them in their best light? If he does, he is emphasizing the favorable facts and de-emphasizing the unfavorable facts about his merchandise. He is influencing people to think well of it, i.e., he is persuading them.

Borden claims that persuasion is fundamental freedom. The freedom to persuade is equivalent to freedom of speech and freedom of the press. The preacher expounds a religious doctrine and attempts to persuade people to embrace a better life. The teacher expounds a subject—he is persuading his pupils to grasp ideas and concepts. The politician sells a program to voters to persuade them to vote for him. The lawyer persuades judges and juries. The physician persuades patients to take courses of action to make them well. Persuasion is and always has been fundamental to communication. If we are to maximize our freedom, the seller must be granted the right to exercise persuasion in marketing his goods.[11]

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[10] Sociologists say that one major reason for the startling increase in urban crime and violence is the weakened social cohesiveness of the slum dwellers. Punishment by shame and ostracism does not follow violation of mores. Indeed, such mores as there are among such minority groups are diametrically opposed to those of the majority, i.e., criminality and violence are admired and emulated—they are symbols of virility and social protest.

Others, however, are not much concerned with the admissibility of persuasion as with the social responsibility of the seller. David M. Potter makes this a key point in his excellent book, *People of Plenty:*

> . . . the traditional institutions (church, schools, colleges, business, and industry) have tried to improve man and to develop in him qualities of social value, though, of course, these values have not always been broadly conceived. The church has sought to inculcate virtue and consideration of others—the golden rule; the schools have made it their business to stimulate ability and to impart skills; the free-enterprise system has constantly stressed the importance of hard work and the sinfulness of unproductive occupations. And at least two of these institutions, the church and the school, have been very self-conscious about their roles as guardians of the social values and have conducted themselves with a considerable degree of social responsibility.
>
> In contrast with these, advertising has in its dynamics no motivation to seek the improvement of the individual or to impart qualities of social usefulness, unless conformity to material values may be so characterized. And, though it wields an immense social influence, comparable to the influence of religion and learning, it has no social goals, and no social responsibility for what it does with its influence, so long as it refrains from palpable violation of truth and decency. It is this lack of inherent social purpose to balance social power, which, I would argue, is a basic cause for concern about the role of advertising. Occasional deceptions, breaches of taste, and deviations from sound ethical conduct are in a sense superficial and are not necessarily intrinsic. Equally, the high-minded types of advertising which we see more regularly than we sometimes realize are also extraneous to an analysis of the basic nature of advertising. What is basic is that advertising, as such, with all its vast power to influence values and conduct, cannot ever lose sight of the fact that it ultimately regards man as a consumer and defines its own mission as one of stimulating him to consume or to desire to consume.[12]

Potter says that advertising is the only real force to educate people into new needs, to alter men's values, and to train them to act as wise consumers, using their newly acquired abundance wisely.[13] Unlike the other major "instruments of social control," advertising has no socially defined objectives, and this is what frightens Potter and other thinkers.

In rebuttal, one may observe that advertising, unlike the other instruments of social control (e.g., church, school), is a young institution. As is shown below, it has already made great progress in raising the low ethical selling standards of "the good old days." Growing as it did from the status of a mere functional tool of business, it could not be expected to acquire social goals willy-nilly. However the authors contend that the promotional fields are evolving a basic matrix of social responsibility, but evolution works slowly. Those who understand the history of marketing are not pessimistic—they know how long it took for promotion to develop any degree of social conscience and are impressed by how far it has come from the shockingly low standards of yesteryear. They are also encouraged by the amount of discussion at present about these basic ethical and moral considerations; this ferment may speed up the evolutionary process, which is by nature turtle-slow.[14]

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[11] N. H. Borden, *Advertising in Our Economy* (Chicago: Richard D. Irwin, Inc.), 1945.

[12] (Chicago: University of Chicago Press, 1954), pp. 176-77.

[13] *Ibid.*, p. 175.

In conclusion, the admissibility of commercial persuasion has been established in our society. The major ethical question now is, what shall the *limits* of persuasion be? To what *degree* shall the seller be allowed to exercise persuasion? What *kinds* of tactics should be allowed?

THE CHANGING LIMITS OF PERSUASION

The ancient limit, which prevailed from Greek to rather recent times, was the doctrine of *caveat emptor* (let the buyer beware). The role of the seller was to get the highest price for the least value of goods; that of the buyer was to give the least for the greatest value of goods. The buyer was assumed to be as knowledgeable as the seller; he expected the seller to flatter the goods, even to misrepresent them. As long as the buyer had the right to inspect the goods, he was expected to use his own judgment. If the seller took advantage of his carelessness, naïveté, or stupidity, it was the buyer's own fault. The trader was a sharp fellow and had to be keen to stay in business.

Richardson Wright gives a picture of just such a trader, the Yankee peddler. He was "a lanky, hawk-beaked youth, an adventurous, brave, mercenary fellow, who had a rare understanding of human nature, and a ready tongue. His most effective salesmanship was the 'soft sawder' of flattery. He was accused of purveying wooden nutmegs and cucumber seeds, oak-leaf cigars, shoe-peg oats, polyglot Bibles, and realistically painted basswood hams. He always left his customers convinced and satisfied with their share of the bargain, but he usually managed to clear out after finishing the deal."[15]

His social status was far below that of the settled, more respectable retailers of the early nineteenth century.[16] Yet a peculiar attitude prevailed among the people of the period. They expected the trader to try sharp practices and considered dealing with him a challenge. When he outwitted them, their compatriots ridiculed them. "Instead of any particular odium attaching to him (the peddler), for having cheated you, you got heartily laughed at for having suffered yourself to be imposed upon, while he escapes with the fruits of his imposition and the general remark, 'I guess it was only a regular Yankee Peddler trick.' "[17]

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[14] A good example of this ferment is the theme of the Annual Convention of the American Marketing Association, December 1961: "The Social Responsibilities of Marketing."

[15] *Hawkers and Walkers in Early America* (Philadelphia: J. B. Lippincott Co., 1927), p 22.

[16] The ethical standards of the typical retailer of 1850 were not very high either. A business historian says: "Misrepresentations of quality, short measure, and other sharp practices were frequently encountered, and selling prices almost everywhere depended upon the customer's ability to bargain with the salesman." Ralph M. Hower, "Urban Retailing 100 Years Ago," *Bulletin of the Business Historical Society,* XII, No. 6, 1939, p. 93. A standard joke of the period cites the grocery retailer who calls to his son in the cellar, "Sand the sugar, water the vinegar, and get upstairs for evening prayer."

The modern view has changed. The courts and the public expect the seller to be honest; the situation has almost switched to *caveat venditor*. There are several reasons for the decline of the doctrine of *caveat emptor:*

(1) *Increased power of the seller.* The seller is often wealthy while the buyer is poor. It is immoral to take advantage of the poor.

(2) *Better knowledge of the seller.* The seller is now a specialist in his line of merchandise; the buyer is an amateur.[18] Buyer and seller are no longer on equal footing as they were in a more primitive era. Since the seller has an unfair advantage over the buyer, society has imposed higher standards of conduct upon him.

(3) *Proliferation of goods on the market.* The buyer of an earlier age purchased a narrow range of necessities. He or she could take the time to be informed about them. Since today's consumer must make thousands of choices in the marketplace, he cannot be expected to be as well-informed.

(4) *Growth of hidden qualities in goods.* The simple farm wagon of the nineteenth century has changed to a complicated piece of machinery, the automobile. The simple cotton textile that every mother taught her daughter to judge has turned into a synthetic man-made fiber. The consumer can no longer evaluate goods by sight, touch, smell, or another simple method. He must depend on the reputation of the manufacturer to supply him with what is proper and of good value. This has enhanced the role of advertising in creating a favorable corporate and brand image.

(5) *Change in the goals of business.* The modern firm plans for long-range survival.[19] It cannot expect to make money by outwitting the public and withdrawing from the market. Its investments in buildings, machinery, and the like are too great. Also launching a new product on the modern market would cost too much money and time. Profits depend on repeat business, and the latter is built on fair dealing. Thus, enlightened self-interest has helped raise levels of business ethics.

(6) *Growth of opposing economic ideologies.* The followers of socialism and communism are quick to criticize business conduct if the opportunity arises. Business cannot afford an adverse public image, either at home or abroad.

(7) *Growth of horizontal structure of industry.* Trade associations, Bet-

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[17] Wright, *Hawkers and Walkers in Early America,* p. 22.

[18] This is true of the consumer goods field only. The purchasing agent of a business is trained to know all about the goods he buys. He sometimes knows them better than the seller.

[19] Oswald Knauth, *Managerial Enterprise* (New York: W. W. Norton & Co., Inc., 1948), pp. 20-21.

ter Business Bureaus, and trade practice conferences under the auspices of the Federal Trade Commission have all aided in formulating improved ethical standards.

(8) *Increased role of the government.* Business has been controlled by laws and regulations of governmental bodies.

(9) *Organization of consumers.* Consumers are educated by home economics courses and other instruction in better buymanship and can get information from consumer rating agencies.

The above factors have helped create a higher standard of ethical behavior expected of business. Business has come a long way in just a couple of generations, but there is still need for improvement.

KINDS OF UNETHICAL PRACTICES FOUND IN PROMOTION

1.

Fraud

Fraud involves clear-cut misrepresentation, a lie by the seller about a product, with the intention of deceiving. The buyer relied on the statements made or expected the seller to reveal material facts, such as defects, which the seller did not do. The buyer, on the other hand, is expected to exercise prudence and diligence in seeking out facts. If he does so, and material representations are untrue, then the buyer has been defrauded. This is a matter of law and is controlled like any other crime.

2.

Misrepresentation and Exaggeration

These are the gray areas of promotion. False and misleading selling and advertising are not easy to apprehend, even more difficult to prove. These practices fall into the following categories:

a. *Phony Testimonials.* It is a basic freedom to express opinions and everyone should be free to commend a product he likes in public places and media, if he wishes. This right has been widely abused. Endorsements have been sold on the open market under conditions where they could not possibly be the honest opinion of the writer. For example, since 1945 a New York organization, Endorsements, Inc., has brought together 8,000 celebrities for approximately 4,500 separate products, such as apparel, household appliances, cosmetics, beverages, food, tobacco, jewelry, and automobiles. The combined cost of media space and time from 1945-57 was more than $700 million. The fees of the celebrities probably were $7 million.[20]

Another example involves the screen star, Constance Talmage. Since she was about to leave for Europe, her agent brought a variety of products to her hotel room. Photographers took Miss Talmage's picture with everything from beds to radios to soaps to toasters to pianos. In fact, during that busy day, several poses were taken with Miss Talmage pointing to nothing; later a product could be inserted into the picture in case something was overlooked![21]

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[20] W. H. Freeman, *The Big Name* (New York: Printers' Ink Books, 1957), p. 37.

The Federal Trade Commission attempted to end the racket in 1930. It ruled that when a company had paid for a testimonial, the fact had to be printed in the advertisement in type as large as that used for the copy. Unfortunately, this provision was overruled in 1933 by the U.S. Circuit Court of Appeals, which held that a paid endorsement did not have to be so labeled as long as it was truthful and reflected the true opinion of the writer. The authors believe the original F.T.C. ruling was a good one and hope that the same ruling will be made again; the courts would probably sustain the order today.

b *Misleading Trademarks and Labels.* A trademark may be misleading if it suggests the origin or contents of a product falsely. For example, the trademark Lemon Soap was held misleading because the product in fact contained no lemon; neither did cigars called Half-Spanish contain tobacco from Spain.[22] Scotch whiskey, it has been held, must be made in the country, Scotland; although made in the United States by exactly the same process as employed in Scotland, the product would be misbranded if termed "Scotch" whiskey.

Another type of deception occurs if one trademark is so similar to another that it is confusing to the ordinary shopper. For instance, Cycol was held confusingly similar to Tycol; Oxol to Oxydol; Mel-o to Jello; Air-o to Arrow; Ex-ol to Rexall.[23] The ban also falls on deceptive place names. For example, a watch could not adopt the trademark, Lucerne, unless it were made in that Swiss city.

Outright counterfeiting of trademark, package configuration, and label has occurred. The Food and Drug Administration has had trouble with fly-by-night producers of pharmaceuticals who counterfeit the products of reliable houses; often the product is substandard. Some foreign manufacturers have duplicated the identity of well-known American firms abroad, much to the latter's detriment, for the goods are usually shoddy and poorly made.

Almost as bad as outright counterfeiting is the common practice of less well-known competitors to approximate the package, label, and trademark of a reputable, dominant competitor. For example, many competitors have duplicated the distinctive blue color and general configuration of the package, including the trademark of a little girl under an umbrella, of Morton's Salt. Since a color cannot be pre-empted as a trademark and the competitors do not technically duplicate the name or trademark, the company cannot take action, even though they have evidence that many hasty buyers grab the competing package with the mistaken idea that they are obtaining Morton's Salt.

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[21] *Ibid.*, pp. 23-25.

[22] Otto Kleppner, *Advertising Procedure,* 4th ed. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1950), p. 127.

[23] *Ibid.*, p. 128.

c. *Superlatives and Hanging Comparatives.* Examples of this poor advertising practice are: "Best nickel candy there is," "Blank's soap gets clothes whiter than white," and "Acts four times faster." Such silly claims lead consumers to doubt all advertising, for the customer thinks, "If they will make claims like that, how can you believe anything they say?" Indeed, a whole industry may find that nobody pays any attention to its advertising. For example, the moving picture people used superlatives with little restraint for so many years that the public came to believe little or nothing. They called inferior, Grade B pictures "super colossal, stupendous, gigantic, greatest spectacle ever made"; then they had no way of telling the public when a superior picture in fact came out. Subsequent surveys on the influence of their advertising showed that the public was primarily influenced by word-of-mouth communication of other members of the family (especially teen-age girls), friends, and neighbors; opinions of movie reviewers in the local newspaper were the second important influence. Scarcely anyone was influenced by the advertising. The unrestrained making of sensational claims, use of superlatives and the like, bring about "semantic depreciation," which causes loss of efficiency in the symbols of communication.

d. *Claim Qualities That Make No Difference to the Utility of the Product.* The cigarette manufacturers have also used this kind of deception. It is true that they have few differentiating features to point to regarding their brands of cigarette; one cannot tell them apart on a blind smoking taste test. However, this is no excuse for the low level of ethical performance of that industry in the past.

The Federal Trade Commission has had a series of cases against cigarette manufacturers. Lorillard cannot say its cigarettes "contain less nicotine, less tar and resin" or "are less irritating to the throat." Reynolds cannot advertise that Camels "encourage the flow of digestive juices, increase the alkalinity of the digestive tract" or help digestion in any respect; that their use "relieves fatigue, or creates, restores, renews, or gives or releases bodily energy; that they do not affect or impair the wind or physical condition of athletes; that the smoke from Camels is soothing, restful, or comforting to the nerves or that it protects from nerve strain; and that Camels never leave an after-taste."[24]

e, *Completely False Claims.* A classic of its kind is the following case, which speaks for itself:

> The foregoing claims, statements and representations are grossly exaggerated, false and misleading. In truth and in fact respondent's product, All-Winter Antifreeze is not a high-quality "antifreeze" solution as it is composed of a calcium chloride base and is inferior to solutions containing glycerine or alcohol bases. Said product will not prevent seepage and corrosion. It is not safe and dependable for use as recommended and is not

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[24] C. A. Sandage and V. Fryburger, *Advertising Theory and Practice* (Homewood: Richard D. Irwin, Inc., 1938), p. 65.

> a superior type of antifreeze. It does not protect the cooling system of engines against corrosion, rust, or other deterioration. Use of said product causes and has caused rust, corrosion, clogged passages and other serious damage to engines, radiators, ignition wires, spark plugs, hose connections, and to the exterior finish of automobiles. Said product evaporates and will clog passages in the cooling system.[25]

3.

Creating Erroneous Impressions

An advertisement may make no factual misstatement but still create a false impression. For example, a young enterpriser ran an advertisement, "Hurry, send in your dollar before it's too late!" and gave his name and address. He received thousands of dollars from this ad. Those sending in their dollars got nothing back and complained to the authorities. The latter did not know how to proceed, since the advertiser had offered no product or service, had promised nothing.

4.

Debasement of Cultural Values

Advertising has been criticized on this ground for a long time. For example, John Ruskin, in his speech to the manufacturers of Bradford about 100 years ago, had this to say:

> Whatever happens to you, this, at least, is certain, that the whole of your life will have been spent in corrupting public taste and encouraging public extravagance. Every preference you have won by gaudiness must have been based on the purchaser's vanity; every demand you have created by novelty has fostered in the consumer a habit of discontent; and when you retire into inactive life, you may, as a subject of consolation for your declining years, reflect that precisely according to the extent of your past operations, your life has been successful in retarding the arts, tarnishing the virtues, and confusing the manners of your country.[26]

Another example of the same kind of thinking is that of the famous historian, Henry Steele Commager. Writing in the *Christian Science Monitor,* he stated:

> Or look to another manifestation of public morality, one closely connected with the press, advertising. Who can doubt that the appeal of advertising is in very considerable part to the wrong rather than to right motives, and that the basest, not the best instincts of men are exploited?
>
> To what does a good part of our advertising appeal? To fear, jealousy, envy, licentiousness, and material interest. By reiterating that everything is to be considered from the point of view of private enhancement, it corrupts much of what it touches.
>
> Friendship is perverted to the techniques of getting ahead in the job. Love of wife or husband becomes a contest in popularity or in sensual appeals. Pride in parents comes to depend on the right automobiles or the right television or the right drinking habits. Distinction is a matter not of

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[25] All-Winter Antifreeze Case, F.T.C. Decisions, 1946, pp. 302-303.

[26] Quoted by Arthur Schlesinger, Jr. in *Printers' Ink,* August 11, 1959.

> character but of liquor or of haircuts or of the kind of silver one uses when company comes to dinner.
>
> It may seem a minor matter that automobiles or cigarettes should be advertised not so much on their merits as on the degree of pulchritude of some model. And in any one case, it is a minor matter; we take all this in our stride after all. But who can compute the long-term effects of recommending almost everything for the wrong reasons?
>
> And what shall we say of the systematic corruption of the judgment of our people by appeal to illogic rather than to logic? What shall we say of the cumulative effect upon the next generation of the picture of American social and moral standards—of family relations, of the relations of the sexes, of the relation of men to their work that emerges from much of our advertising?[27]

Many more similar quotations could be given from the pens of equally impressive authorities. They essentially focus on two criticisms: use of emotional appeals rather than rational appeals, and the consequent distortion of values; and the use of material that offends the critic's good taste.

a. *Use of Emotional Appeals Instead of Rational Appeals.* Critics do not approve of catering to the more primitive drives of man instead of to his rational faculty. The problem, as pointed out in the section of the book on psychology, is that human beings insist on responding to life emotionally. In a comfort economy, especially, they prefer to buy psychological satisfactions rather than material utilities. As Walter Taplin says, "Most of the things we buy are not material but mental. We want states of mind."[28] Mr. Taplin continues:

> The advertiser, beginning with a material object which is to be sold, suggests the states of mind which may be achieved by the purchaser. This face powder, he says, will make you more beautiful, this armchair will not merely support your weight in physical comfort but put you in a relaxed and restful frame of mind, this ship will not merely carry you from point A to point B, but introduce you to the romantic atmosphere of foreign lands.
>
> The search for unsatisfied wants goes on; they are found; the customer pays to have them satisfied; he then discovers he still has other wants; the attempt to meet them is made; they are met—and so on, without, to the great joy of the advertisers, any prospect of an end.
>
> This is the process—a process as long and as complicated as life itself. There is no need to stop to be glad or sorry about it. You can either rejoice that human beings have wants, and that other human beings try to satisfy them and be paid for their trouble; or you can deplore the nature of humanity. You can argue, . . . over the reality or unreality, the merits or demerits, of the part played by advertisers in their attempt to add by words and pictures to the range of refinement of wants and to suggest available satisfactions. But the first thing to notice is what goes on in the

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[27] August 20, 1952, 2nd sect., p. 7.

[28] *Advertising, a New Approach* (London: Hutchinson & Co, Ltd., 1960), p. 33.

> real world,—to recognize the enormous, endless, range and complexity of wants. . . ."[29]

Thus, people do not like to think. They respond emotionally to life. They have a multitude of wants which they derive emotional pleasure from satisfying, and they like to read about satisfying those wants in terms of sensory gratification, sex, social relationships, and the like. The critics cannot change human nature.

b. *Distortion of Values.* Childs and Cater say, "The advertiser must accept some responsibility for the confusion of values that is a symptom of our time of troubles. Words such as character, faith, belief, integrity are used to commend the quality of beer and pills. If you buy a certain car you are 'exalted, exultant, magnificently at ease.' "[30]

Many have commented on this debasement of values. It is always a matter of concern when the "semantic currency" is debased. Perhaps it is a national trait to exaggerate—Americans have a heritage of being tellers of tall tales. They expect and discount hyperbole. It must seem strange to those of other cultural backgrounds, especially our British cousins, who are masters of understatement. Since Americans expect and discount hyperbole, it may not distort our values as much as critics claim; only when it gets completely out of hand, as it did in moving picture advertising, does it do great damage.

c. *Use of Appeals and Illustrations that Offend the Critic's Sense of Good Taste.* Many criticise selling's emphasis on bodily functions. The advertisers of Ban Deodorant thought they were in the best of taste, being very subtle, when they illustrated areas of body odor on Greek statues in television commercials. They were surprised when they received thousands of letters vehemently protesting. Other people criticize broad humor or overemphasis on sex.

Good taste is a highly subjective matter. Canons of what is good and bad taste are not uniform within a given culture; they change over time. They also vary with circumstances; for instance, advertisers have found newspapers a more permissive medium than radio or television.

The foremost historian of taste, Russell Lynes, comments on how standards of taste, of what is fit and proper, have altered greatly since the Victorian era.

> It is easy, for example, to trace from 1890 to the present the course of social informality, not only by what garments (or lack of garments) appear acceptable in ads, but in how close the male and female may be joined in embrace. The female nude from the back is acceptable today; the male is not. The breast, as long as the nipple is concealed, is acceptable now, though in some ads of the Victorian era the outline drawing of the female nude, nipples included, was evidently considered all right, though that was

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[29] *Ibid.,* pp. 33-34.

[30] Marquis W. Childs and Douglass Cater, *Ethics in a Business Society* (New York: Mentor Books, 1954), pp. 168-69.

> an era when a lady scarcely dared show her ankle in the parlor. Children can get away with saying things that adults for reasons of "good taste" cannot. "Mummy, they have a lovely house, but their bathroom paper hurts." That appeared in an ad some years ago. Nobody today, however, can say "toilet paper." It's not *toilet* that now is unacceptable, but *paper!* Tissue, however, is in "good taste." No one today would think of using the word "bowels" in an ad, but how to talk about their functions in glorious circumlocutions is a major intellectual challenge to the "creativity" of the copywriters.
>
> These are the sort of switches in social acceptability that delight the historian of taste. How is it, he wonders, that as life becomes more informal, and "gentility" gives way to casualness in manners, as we discuss in the living room topics not so long ago taboo even in the bedroom, we devise the most elegant coynesses and euphemisms for these same topics in advertising? We laugh at our forebears for never using the word "legs"; even pianos had limbs a century ago; but while we expose and advertise and promote the female breast, we wouldn't think of calling it by its first name in public print. And yet, as we all know, "It's what's up front that counts."[31]

There is no definitive answer to this problem of taste. The advertiser or salesman must be sensitive to prevailing standards of what is fit and proper. Advertisements in bad taste may attract attention, they also arouse anger, resentment, and even disgust. These negative emotions never help to sell a product and must be avoided as a matter of self-interest, not mentioning the advertiser's broader duty to be a good citizen in his society.

5.

Materialism

Critics charge that advertising and selling emphasize the materialistic aspects of life at the expense of spiritual values. F. P. Bishop, who calls it "consumptionism," points out that the conflict over materialism has been an issue not only with the moralists and social philosophers of today, but with much of the teaching of wise men of all ages. Great religious leaders, such as Buddha, Confucius, and Jesus, have all emphasized that morality begins with self-restraint and self-denial. Gibbon in his great *Decline and Fall of the Roman Empire* attributed the decadence of Rome mainly to the overindulgence in luxury by the Romans of the Empire. Observers of the contemporary scene have pointed out that selling and advertising have stirred up the consumer and driven him to enlarge his material desires by calling attention to new wants or refinements in gratifying extant wants. This, they argue, must inevitably be at the expense of manliness, consideration of others, and weakening of the moral fiber.[32]

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[31] *Printers' Ink,* February 2, 1962, p. 44. See also Russell Lynes, *The Tastemakers* (New York: Grosset & Dunlap, 1954), for a fascinating discussion of the history and place of taste in the American culture.

[32] *The Ethics of Advertising* (London: Robert Hale, Ltd., 1949), p. 29.

Others say that selling and advertising create discontent among the masses. By dangling luxurious goods before the eyes of the common man who cannot possibly afford them, they frustrate him and make him unhappy with his lot. Such discontent may in turn cause social unrest and sow the seeds of revolution.

There is absolutely no way to prove or disprove that spiritual values are being destroyed. Nationwide church membership is at an all-time high;[33] book publishers report a tremendous increase in sales in the past decade; attendance at operas, symphony concerts, and art museums is greater now than any time in history;[34] more children are being educated than ever before in our history; and attendance in adult classes is also at unprecedented levels.[35] According to *Fortune,* American taste has improved remarkably since World War II.[36]

Whether these facts, just a few of many of similar purport, will be accepted as sufficient evidence that our culture is not completely materialistic is not too important. The cold, hard fact, based on historical evidence, is that the masses have *never* in any culture been interested in spiritual values. Their interest has *always* been centered on things of this world: on keeping body and soul together; on getting ahead materially; on acquiring goods that will symbolize new and better social status. Advertising has done little to create this state of affairs.

Promotion people may be "merchants of discontent," but a certain amount of discontent is an important mainspring of human progress. The cave man eventually became dissatisfied with living in damp, dark caves, and set about learning to build houses. Thomas Edison was dissatisfied with the dim light given by candles, oil lamps, and gas lights, and he invented the electric light. Indeed, discontent is the divine spark which activates progress.

Does the discontent engendered by promotion become so intense as to cause frustration? It may in some people who are maladjusted and pathologically jealous of the better fortune of others, but there is no evidence that advertising or selling frustrates the normal person more than he or she is frustrated by a great many things—job, family, friends, and others. Promotion undoubtedly stimulates people to work harder for the beautiful goods pictured so enticingly in their magazines, over their television sets, or in store windows and displays. Since the normal man *is* materialistic, these goods give him the incentive to take risks, try out new and better production techniques, and work harder and more efficiently.[37]

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[33] There were 74,125,462 church members in the United States in 1957, according to the National Council of Churches of Christ.

[34] Since the mid 1950's, the amount spent each year on classical records exceeded that spent for popular numbers; attendance revenues for symphony concerts and operas exceeded total admission income for sporting events in 1959.

[35] Total school enrollment was 42.7 million in 1960. Office of Secretary, *Health, Education and Welfare Trends* (U.S. Department of Health, Education and Welfare, 1960), p. 56.

[36] Among indicators to prove this is the decline of "borax" furniture sales cited in *Markets of the Sixties* (New York: Harper & Row, Publishers, 1960), Chap. 7, "How American Taste Is Changing." This chapter cites convincing examples of how American taste is becoming more refined, even among the masses.

EFFECT ON FORMAL CHANNELS OF COMMUNICATION

To what extent does advertising influence freedom of expression by the different media of public communication? It is undeniable that the advertiser is in a position to influence these media. Table 19.1 shows that advertisers contributed hundreds of millions, even billions of dollars per annum to each major communication media.

In England an average of 59.2 per cent of total revenues of newspapers comes from advertising; 52.8 per cent of the revenue of all periodicals comes from the sale of advertising space.[38] In this country 60 to 80 per cent of magazine revenues comes from advertising, and 70 to 90 per cent of a newspaper's income has the same source. *All* the income of our vast radio-television industry originates from the sale of time to advertisers.

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[37] It is true that primitive people will often work less hard when given a higher income. When our Air Force built an airfield in Labrador during World War II, it hired a number of the simple fishermen at wages more than twice what they had been accustomed to earning. They simply worked three rather than six days a week. Due to low economic goals they preferred leisure to more goods. People have to be informed about the higher material standard they might enjoy through greater efficiency and application. They will not work for altruistic motives, for the good of society. This has been proven by the failure of various utopian societies. The Allied Control Authorities learned this from the coal miners of the Ruhr after World War II. The Authority was trying to restore the productivity of the coal mines and carried on a big propaganda campaign telling how coal was needed to keep people warm, provide fuel so they could be employed, and the like. Wages were raised well above the average to no avail, since goods were scarce and the miners could not buy much with the money. Production stayed low until the Authority pumped a lot of consumer goods into the region and relaxed rationing; then coal production soared, for the workers could now secure a material reward for their efforts. People who ignore this basic fact of human nature are likely to make serious miscalculations when they formulate practical economic or business policy.

[38] F. P. Bishop, *Ethics of Advertising* (London: Robert Hale, Ltd., 1949), p. 151.

TABLE 19.1

ADVERTISING EXPENDITURES BY MAJOR MEDIA
CALENDAR YEAR 1960

Medium	*Millions of dollars*
Newspapers	3,702.8
Magazines	940.8
Television	1,605.0
Radio	668.0
Business papers	609.3
Other	4,405.8
Total	11,931.7

Do advertisers take unfair advantage of this great potential power? The evidence is quite conflicting. One German authority, writing in the 1930's, said they do:

> Especially in recent years British newspapermen and politicians insist that Great Britain and the United States of America are countries where the Press is absolutely free. This might be warranted to a large extent if "the freedom of the press" meant its freedom in relation to the State. But the claim is absolutely unfounded if one takes into consideration the strong degree of economic dependence in which the modern British Press finds itself. The economic success of an English newspaper is so overwhelmingly dependent upon its advertising columns that the advertiser has been able to develop into a Press dictator who, as such, plays a part far more dangerous than that of the State, since in the majority of cases his influence is secret, entirely selfish, and not susceptible of control.[39]

Henry Wickham Steed, who cites the above passage, feels that the criticism is overstated, but he claims ". . . it contains criticisms which no fair-minded observer can dismiss as wholly unwarranted."[40]

Bishop dismisses the probability of direct control:

> It is nonsense to talk about any business group being able to "control" the press, and the newspaper of today is not a byproduct of anything. Yet, obviously, advertising has a considerable influence on what goes into the paper day by day, and it is important that the extent and nature of that influence should be understood, so that the newspaper reader can allow for it, without entertaining exaggerated fears about the alleged adulteration of the news and opinions served up to him.[41]

The extent of that influence is controversial. The British P.E.P. report on the Press said that, as a rule, newspapers put the interests of their readers before those of their advertisers.[42] In the United States, the Commission on Freedom of the Press concluded that only the weak newspapers were likely to be greatly influenced:

> The evidence of dictation of policy by advertisers is not impressive. Such dictation seems to occur among the weaker units. As a newspaper becomes financially stable, it becomes more independent and tends to resist pressure from advertisers.[43]

The situation is probably similar with magazines, industrial and trade papers, and broadcasting. The weaker magazines and radio stations are most likely subject to a great deal more dictation than the strong ones, just as many advertising abuses tend to be concentrated among the weaker media. The more ethical publications take great pains to completely separate the editorial and business sides of the enterprise. This was illustrated by the experience of one advertiser, a manufacturer of canned soup, who ran an advertisement for his mushroom soup in a great picture magazine. It was placed in the magazine opposite an account of how 65 participants at a Sons of Italy picnic in California were made violently ill by picking and eating toadstools which they had thought were mushrooms. The protests of the company advertising manager brought the response from the magazine: "This shows you how completely divorced our business side is from our editorial side." A few years ago, General Motors canceled all advertising in the *Wall Street Journal* because the latter had run some drawings of new models ahead of the grand introduction. When the *Journal* asserted its right to print anything that was news, the Company quietly dropped the matter and restored its advertising. Specific examples of attempts at direct interference are rare.

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[39] Max Grünbeck, *Die Presse Grossbritanniens,* 1936.

[40] *The Press* (Harmondsworth: Penguin Books, Ltd., 1938), pp. 174-75. Steed fails to show to what extent advertiser control *is* practiced, however.

[41] Bishop, *Ethics of Advertising,* p. 168.

[42] *Ibid.,* p. 170.

[43] Commission of Freedom of the Press, *A Free and Responsible Press* (Chicago: University of Chicago Press, 1947), p. 62.

Observers also criticize the trustification of many important media. In both England and America, from 1900 on, the number of newspapers was steadily reduced by failures and amalgamations. They also cite the attrition of the small "literary" magazine edited for quality rather than circulation. The survivors were usually conservative upholders of the *status quo*. Being wealthy themselves, the "press lords" took a narrow, conservative viewpoint and voluntarily censored anything that was anti-business or against the interests of their important advertisers. Identity of interest made outside pressure from advertisers unnecessary.[44]

A second development is a corollary of the first. Newspapers and magazines needed big circulation to survive, because advertisers were impressed by mere numbers and advertised only in media guaranteeing "coverage of the mass market." To build circulation, publishers had to edit their organs to suit the greatest common denominator of interests; thus the rise of the "yellow press," the tabloid, and the pulp magazine, which emphasized crimes of violence, sex, gambling, and other degrading stories to attract the ignorant and semi-educated. The desire for volume also led to the degradation of programing on radio and, later, television. The media owner is caught in a vicious circle: to get advertising he must have mass circulation; to get mass circulation he must produce material with mass appeal. Magazines and newspapers must also have low subscription rates. There is increasingly less time or space to communicate matters of interest to minorities—articles addressed to thinking readers and programs of interest to listeners who appreciate culture. What is the effect of this? Potter says:

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[44] Many have deplored the death of papers reflecting a multitude of different opinions. Around 85 per cent of the newspapers of the United States support the Republican Party even though the majority of the people have voted for the Democratic Party in 22 of the past 30 years. A good example of how identity of interest works is the fact that bulletins of the Better Business Bureaus exposing frauds and sharp practices seldom receive publicity in many great cities. The media are afraid of offending important advertising interests; more directly, they probably fear losing revenue from the businesses cited by the B.B.B.

> . . . the newspaper feature, the magazine article, the radio program do not attain the dignity of being ends in themselves; they are rather means to an end; that end, of course, is to catch the reader's attention so that he will then read the advertisement or hear the commercial and to hold his interest until these essential messages have been delivered. The program or the article becomes a kind of advertisement in itself—becomes the "pitch" in the telling language of the circus barker.
>
> A year or two ago an English critic complained of American periodical writing that it "fixes the attention but does not engage the mind."[45]

To attract a maximum number of readers

> they must suppress any controversial or esoteric aspects of the item and must express it in terms of the least common denominator. But these terms are usually emotional ones rather than rational ones, for the emotional impulses of a large group of people are much more uniform throughout the group than are the mental processes of various individuals in the same group.[46]

Since common experience is essential to communication, the greater the number to be reached, the simpler the communication must be.

> These factors of simplification, of intensifying the feeling while degrading the significance and of fixing the attention of the mass audience are all related to one basic condition of the media, namely, that they are concerned not with finding an audience to hear their message but rather with finding a message to hold their audience . . . it must not diminish the audience either by antagonizing or by leaving out anyone.[47]

Potter sums up the problem.

> In the mass media we have little evidence of censorship in the sense of deliberate, planned suppression imposed by moral edict but much evidence of censorship in the sense of operative suppression of a great range of subjects—a suppression imposed by public indifference or, more precisely, by the belief of those who control media, that the public would be indifferent.[48]

This situation should concern every intelligent person in our society. Although it is grave, it is not hopeless. Post World War II opulence has elevated millions of American families to an economic position in which they can afford cultural amenities and have the leisure to enjoy them. *Fortune* points out that this new class-mass market has created an unprecedented demand not only for standardized luxuries but also for "special interest" items. People soon tire of the standard accoutrements of the good life. They learn to appreciate good art; better design in furniture, houses, appliances; classical music; unusual leisure time occupations (skin-diving, flying). These interests provide a broader economic base to support such former class interests as *avant-garde* art, modern classical music, functionally-oriented architecture and furniture, and the like. With better education, these people are becoming aware of the limitations of the conventional news magazines and newspapers,[49] the fare of popular music on radio, and cowboy and "private eye" shows on television.

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[45] Potter, *People of Plenty*, pp. 181-82.

[46] *Ibid.*, p. 183.

[47] *Ibid.*

[48] *Ibid.*, p. 184.

There will always be the mass press and mass broadcasting, but new channels will be set up to satisfy the demand created by the rise of "special interest" markets. These channels may aid in further educating the masses to appreciate the better things of life. Advertisers are beginning to recognize the vitality and purchasing power of people interested in the special interest products and services, and they are putting more money into the specialized media.[50] In time, we may secure diversity.

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[49] *The Reporter, Atlas,* and *American Heritage* are three examples of media whose main support and surprising circulation volume are attributable to this new, more sophisticated class-mass market.

[50] The healthy development of F.M. broadcasting in the early 1960's may be a harbinger of this, since F.M. programing contains much "special interest" material: good music, opera, panel discussions, public events, and the like. Advertisers began to see the value of these media in 1962 and, for the first time, most F.M. stations are operating in the black.

Chapter 20

Formal Control of Promotion

A formal control is imposed by law. It is therefore a stateway and may have the full coercive power of the state behind it. Although the government does not overtly censor advertising in this country,[1] at least 21 different federal bodies exercise some kind of control over advertising and selling.[2] In addition there are a multitude of state and local laws and regulations that influence intrastate advertising and selling. Only the more important agencies of formal control will be discussed.

PROTECTION AT COMMON LAW

The courts of the United States and Great Britain have always afforded protection against fraud and misrepresentation, "passing off" or selling goods produced by one manufacturer as made by another, obtaining trade secrets through a breach of confidence, and making false statements about the product of a competitor.[3] However, appearance in court by an aggrieved competitor or consumer was costly and time-consuming. Unscrupulous enterprisers could "hit and run"; by the time the law caught up with such malefactors, they had already pocketed their ill-gotten gains. Moreover, court-made law was always indefinite, as a court might see fit *not* to follow an old precedent. Written laws, statutes that prescribed ethical standards, and administrative enforcement bodies that could move quickly to detect and proceed against malefactors were needed.

The difficulty was in agreeing on what the ethical standards should be. When the United States Congress was debating the Federal Trade bill in

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[1] Such action would probably violate Amendment I of the United States Constitution, which assures freedom of religion, speech, and the press.

[2] *Printers' Ink*, December 4, 1959, p. 22.

[3] Charles F. Phillips and Delbert G. Duncan, *Marketing, Principles and Methods*, 4th ed. (Homewood: Richard D. Irwin, Inc., 1960), p. 740.

1914, hours of fruitless discussion passed in attempting to specify just what unfair and deceptive practices should be prohibited. The Senate Committee on Interstate Commerce, in reporting the bill, said it had written 20 definitions, none of which was adequate. The House managers of the conference committee claimed: "It is impossible to frame definitions which embrace all unfair practices."[4] They pointed out that any pronouncement would contain numerous loopholes and would rapidly become obsolete, as standards of ethical behavior change rapidly. Therefore, Congress passed a broad act outlawing unfair methods of competition in interstate commerce and let a quasi-judicial commission decide what kinds of acts would fall within the ban.

After 45 years the Federal Trade Commission had developed 22 major categories of deceptive practices and about 225 different types of specific deception within these categories.[5] This demonstrates that Congress was wise not to define deceptive practice in the original legislation. However, there *have* been attempts to define unfair and deceptive acts in legislation. The Federal False Advertising Act (Section 12 of the Federal Trade Commission Act) and numerous truth-in-advertising laws at the state level are examples, as we shall see shortly.

I. FEDERAL CONTROLS

A. *Federal Trade Commission*

The most important of the 21 federal bodies exercising control over advertising and selling is the Federal Trade Commission. This body, known as the FTC, is a permanent, bipartisan commission, which was established by the Federal Trade Commission Act of 1914.[6] The Commission was given a broad mandate by Congress, since the Act simply declared unfair methods of competition in interstate commerce illegal.[7] In 1938 unfair and deceptive acts in commerce were added to Section 5 by the Wheeler-Lea Act to protect the public as well as business competitors. The FTC had to decide what was included under these categories. During the interwar period the courts were sometimes inimical to the Commission and restricted its powers, but, with the Wheeler-Lea Act of 1938 and generally more favorable attitudes of the courts, the FTC gained considerable policing powers over American business.

A number of judicial orders have affirmed the FTC's jurisdiction over misrepresentation as to quality and character of goods, misrepresentation as to therapeutic or medicinal value, misrepresentation of business status, and misrepresentation as to the origin of products.[8] The authority of the

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[4] *Report of the Federal Trade Commission, 1959* (Washington D.C.: U.S. Government Printing Office, 1960), p. 44.

[5] *Ibid.*, p. 5.

[6] 38 stat. 717, 15 U.S. Code, secs. 4-51 (1914 as amended).

[7] Sec. 5 (a).

[8] Milton Handler, "Unfair Competition and the Federal Trade Commission," *George Washington Law Review*, 8 No. 3, 1940, p. 406.

Commission over false and misleading advertising and misbranding was early sustained under its power to prevent unfair methods of competition.[9] It was assumed that competitor A was hurt when competitor B made false claims and thereby attracted customers from A. If no injured competitor appeared, however, the FTC could not take steps.[10] Finally the Wheeler-Lea Act of 1938 made it possible for the Commission to initiate action to protect the public as well.

Foods, drugs, cosmetics, and therapeutic devices were deemed so important to the health and welfare of the people that Congress passed a truth in advertising clause in the Wheeler-Lea Act which defined and strengthened the FTC's power over advertising of these products. Section 12 made it unlawful to advertise falsely through the United States mails or in interstate commerce by any means, for the purpose of inducing the purchase of foods, drugs, devices, or cosmetics. False advertising includes the failure to reveal material facts as well as misrepresentation.

Actual policing of advertising is accomplished by the Division of Investigation of the Federal Trade Commission. This division has to work on a sampling basis, as it is patently impossible to examine each of the millions of advertisements run every year. It has reviewed from 500,000 to 800,000 advertisements annually in recent years.

For example, 636,096 advertisements were examined in 1952 and 550,663 in 1953.[11] In 1952, 24,416 or about 4 per cent were set aside as questionable; 14,106 of these were turned over for further action by other bureaus of the FTC.[12] Those dealing with the liquor industry were referred to the Alcohol Tax Unit of the Treasury. In a typical year, perhaps 200 cases are investigated in detail.[13]

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[9] Sears, Roebuck & Co. Case, 1919; Winsted Hosiery Case, 1922. The scope of these unfair practices, other than false advertising and misbranding, is indicated by the following: 1. Bribing buyers or their employees to secure or hold patronage; 2. Procuring business or trade secrets of competitors by espionage and bribery; 3. Making false and disparaging statements against competitors or their products; 4. Enticing employees away from competitors in large enough numbers to hamper that competitor; 5. Threatening competitors with suits for patent infringement, such threats not being made in good faith; 6. Selling rebuilt products or products made of secondhand material as new; 7. Using concealed subsidiaries, ostensibly independent, to secure business otherwise unavailable; 8. Schemes to make a customer feel that he or she is being offered an exceptional opportunity to buy when such is not the case. (Falsely representing a sales price as a reduced price; advertising free goods when the price of the "free goods" is actually included in the total price); 9. Using containers holding less than similar-appearing containers which are associated in the public mind with certain weights or quantities; 10. Use of systems by members of a trade association to maintain a uniform price. (Standard cost systems, price lists, and exchange of trade information); 11. Below-cost selling with the intent and effect of hindering and suppressing competition; 12. Tying clauses, whereby a purchaser of a certain machine, for example, is required to buy supplies or other machines of the seller, if such clauses restrain trade. (In Phillips and Duncan, *Marketing, Principles and Methods,* p. 741.)

[10] As happened in the Marmola Case, FTC v. Raladam Co., 283, U.S. 643.

[11] *Annual Report of the Federal Trade Commission, 1953* (Washington D.C.: U.S. Government Printing Office, 1954), p. 22.

[12] *Annual Report of the Federal Trade Commission, 1952* (Washington D.C.: U.S. Government Printing Office, 1953), p. 51.

Some newspapers and magazines are continually examined because they have had a history of running bad advertisements. Most papers and periodicals are procured three times a year. Mail order catalogs from 50 mail order houses are analyzed. Small radio and television stations submit samples of commercials once a year; larger city stations, twice yearly; and those in the largest metropolitan areas, three times per annum. Each sampling calls for everything aired for seven specified dates. The networks are surveyed on a continuous basis.[14]

Announcement was made in 1959 of the augmentation of the regular monitoring staff by 350 professional members of the Commission staff, both in Washington and the ten field offices, through off-duty screening of advertising.[15] In 1960 radio and television were monitored by making recordings of actual broadcasts as well as examining scripts of commercials.

A case before the FTC may start in one of three ways: complaint of a business competitor; complaint by a member of the public; or self-initiated action. A larger number of cases than those started by FTC investigation originate from outside sources—complaints from business competitors or the public.

From 1915 to 1956 the FTC issued 4,770 cease and desist orders.[16] The Compliance Division has the tremendous task of checking on compliance with past orders. Most of its effort is devoted to checking on orders issued since 1947.

TABLE 20.1

SUMMARY OF CASES HANDLED BY FEDERAL TRADE COMMISSION
1957–1960

	Antimonopoly cases				*Deceptive practice cases*				*Totals*			
	1957	1958	1959	1960	1957	1958	1959	1960	1957	1958	1959	1960
Complaints issued	55	86	79	157	187	268	271	346	242	354	350	503
Orders to cease and desist	31	45	64	57	148	228	267	289	179	273	331	346

Source: Annual Report of the Federal Trade Commission, 1960, p. 40.

The record for 1960 demonstrates typical kinds of activity. That year 5,930 complaints were received, 503 were processed, and 346 cease and desist orders were issued.[17] Deceptive practice orders accounted for 289 of the 346; antimonopoly orders, 57. Ninety-eight formal complaints and 54 consent orders regarding "payola" were handled.[18] The payola complaints were against record manufacturers and distributers for giving illegal "push money" and other consideration to disc jockeys so that the latter would play their records more frequently. The accompanying statistics illustrate the stepped-up activity of the FTC in the late 1950's (Table 20.1).

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[13] Clair Wilcox, *Public Policies Toward Business* (Homewood: Richard D. Irwin, Inc., 1955), p. 282.

[14] *Annual Report of the Federal Trade Commission, 1952,* p. 51.

[15] *Annual Report of the Federal Trade Commission, 1959,* p. 26.

[16] *Annual Report of the Federal Trade Commission, 1956,* p. 5.

[17] *Annual Report of the Federal Trade Commission, 1960,* p. 3.

When it receives or initiates a complaint, the FTC makes an inquiry by letter to the company involved. Very often the company agrees to stop the offending advertisement, or modify it to eliminate the reason for complaint. If the company does not take such action, an investigation is initiated. The relevant field office checks the company and reports. Evidence is taken under oath; facts are developed. The FTC may have an item tested by the Bureau of Standards to determine whether claims can be sustained in fact. When good evidence of misrepresentation is adduced, the case is tried before an examiner and, on appeal, before two commissioners. Upon conviction, a cease and desist order is issued. This has the force of law and becomes final unless appealed within 60 days to a circuit court of appeals. The Commission's finding of fact is conclusive; appeal courts will consider only questions of law.

In most cases a cease and desist order is not necessary, since the advertiser stipulates with the Commission. This means that he confesses the truth of the charge and promises not to do that particular thing again. In return, the FTC drops all action. If the advertiser engages in the same offense again, the FTC has his confession and can proceed against him. The difficulty lies in following up to see if the stipulators have really desisted from the practice in question, for the FTC has never had the personnel to do this properly. Violation of a cease and desist order makes the respondent liable to a civil penalty up to $5,000 for each violation. When a violation continues, each day of its continuance is a separate offense. Eleven such suits were concluded in 1960.

A small number of cases go up to court review every year. The record of the FTC in winning cases has been very high in recent years.

The following stipulations and orders give an idea of the many kinds of deceptive practices with which the FTC must deal:

Payola—98 complaints against record manufacturers and distributors

Television commercials demonstration—nine nationally-advertised products named for exercising camera trickery, e.g., Libbey-Owens Ford Glass Co., and General Motors Corporation cited for contrived distortion in showing results of looking through side glass in car made by competitor. One commercial allegedly showing glass of LOF taken with no glass in window at all.

Fictitious pricing—an abuse of increasing importance in recent years: 117 cases in 1959; 73 in 1960. Furs led the list, but many citations made in baggage, rugs, and clothing, e.g., Stein Stores, Inc. charged with advertising $55 value suits for $33 and $24.77. Complaint charged that company never sold suits in question for $55. Gimbel Brothers, Inc. charged with publishing newspaper ads offering numerous commodities for sale at reduced prices. Regular prices actually fictitious, e.g., luggage represented as "$6.98 to $15.98 . . . sold last week at Gimbels for $9.98 to $24.98" and "14-inch train case . . . for $13.98 . . . now $9.95."

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[18] *Ibid.*

Bait advertising—advertising brand name merchandise at startlingly low prices, or advertising inferior merchandise as quality merchandise at unusually low prices. In both cases the store has no intention of selling advertised items but uses appeal to attract customers who are then switched by high-pressure tactics to more expensive merchandise. E.g., Lifetime, Inc., and Youngstown Homes, Inc., two Philadelphia companies advertised they would erect a complete garage for $300, install a complete bathroom for $44, and sell a shell home large enough to accommodate a three-compartmented bathroom, kitchen with eating space, and large picture window and basement for $1,995. Complaint charged that these prices used to attract prospects which were then solicited by the salesman to buy more expensive products and services. Complaint also charged respondents misrepresented they were affiliated with Youngstown Kitchens and Youngstown Industries, Inc.

Contact lenses—FTC proceeded against ten sellers of corneal contact lenses located from coast to coast. Each respondent had claimed that all persons could successfully wear its contact lenses and all except one claimed no discomfort from wearing them. FTC complaint noted that these claims misleading since significant number of people cannot wear lenses comfortably and practically all experience discomfort at first.

Dance instruction—Arthur Murray, Inc., licenses some 450 Arthur Murray Studios. Company charged with using false promotional schemes as decoy to obtain customers and with selling dance instruction courses through deception and coercion. A number of promotions employed phony contests that purported to furnish the first lesson free, or a short course free or at a reduced price. Complaint charges that device used simply to get names to be solicited for full courses. Other methods listed in the complaint:

1. Use of "relay salesmanship" involving a number of salesmen who worked in shifts on a prospect.
2. Use of so-called "analyses," "studio competition," and the like whose real purpose was to get "winner" to buy more lessons.
3. Use of blank or partially filled-in contract forms; evasion of questions regarding amounts owed for lessons or number of lessons contracted for.
4. Falsely assuring prospects that a given course will enable them to achieve a given "standard" of dancing proficiency; then subject prospect to further coercive sales efforts before the course completed. According to complaint the cost of courses ranged from $20 for one hour to about $12,000 for 1,200 hours.[19]

The following are examples from 103 stipulations approved in 1960:

An advertiser of a vitamin-mineral preparation agreed to stop representing that the product will prevent tooth or bone decay.

A safety razor manufacturer agreed not to represent that razor blades are given "free" without clearly disclosing the conditions under which the blades are obtainable.

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[19] *Annual Report of the Federal Trade Commission, 1960,* pp. 52-60.

A magazine publisher agreed to stop employing deceptive means in attempting to induce payment of past due accounts.

A distributer of a vibrating device agreed to stop claiming that the product is of value in treating diseases or disorders of the nervous system or circulatory system.

A manufacturer of trusses agreed not to represent that the product will cure or prevent backache.

A perfume manufacturer agreed not to use French names for its perfumes without clearly disclosing that the products were manufactured in the United States.[20]

Two more practices must be examined before leaving the study of the FTC: the guide program and the trade practice conference. Both are attempts to control by moral suasion, but the trade practice conference has many elements of informal rather than formal control.

The objective of the guide program is to state simply and clearly the requirements of the law applicable to different types of advertising practice.[21] The first guide, the Cigarette Advertising Guide, was issued in 1955. It eliminated 62 questionable claims involving 30 different brands of cigarette; the most notable accomplishment was the deletion of all tar and nicotine claims from the advertising of these brands.[22]

A Tire Advertising Guide and Guides Against Deceptive Pricing were issued in 1958. Against Bait Advertising, 1959 and Guides Against Deceptive Advertising of Guarantees, 1960, should be mentioned. The Commission feels that these guides, which are widely circulated, are useful "rules of the road" for the various businesses concerned. They provide a basis for the Commission's policing activities.

The FTC may start trade practice conferences by its own motion or in response to an application from a trade association, a group, or individual members of an industry. The majority of conferences have originated from outside application. When authorized by the FTC, a city convenient to the members is chosen, and all industry members are invited to attend. The FTC chairmans the conference. Any member may propose rules. Each proposal is debated by the members and voted upon. The resulting report, approved by the conference, is transmitted to the FTC, which studies the results. After holding public hearings on them, it considers all evidence and approves them or not. The rules become effective 30 days after approval. Copies are sent to each member of the industry.

Trade practice rules have two parts. In Part I are rules covering practices that are illegal under FTC regulations, orders, and laws, being unfair methods of competition, unfair or deceptive practices, or other illegal practices. All members are warned to comply with rules of Part I.

The rules of Part II are voluntarily adopted by members of an industry as sound business practices to be encouraged within the industry. Violation of Part II rules are not *per se* legal violations,[23] but they have the approval of the FTC, and voluntary adherence to them raises the ethical level of the industry. Part II rules are a good example of voluntary policing by an industry.

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[20] *Ibid.*, p. 92.

[21] *Ibid.*, p. 81.

[22] *Ibid.*, p. 82.

Trade practice rules for 161 industries were in effect in 1960.[24] The FTC polices these agreements by keeping in liaison with industry members and trade associations. It issues warnings and takes action to compel compliance. It handled 774 rule compliance matters in 1960. Examples are:

Jewelry and watch industry—failure to disclose foreign origin of products; misrepresentation of gold content of watches and jewelry items; misrepresenting that watches are guaranteed shockproof and waterproof; using words "ruby," "emerald," "sapphire," to describe synthetic and imitation stones.

Fountain pen and mechanical pencil industry—preticketing industry products with fictitious prices.

Corset, brassiere, and allied products industry—making or implying weight-reducing claims for products of the industry.[25]

By mid-1961, it was evident that the Kennedy Administration was planning to give new emphasis to the regulation of business. The appointment of a former trustbuster, Paul Rand Dixon, as chairman, increase in the FTC's budget from around $8,000,000 to $10,345,000 per annum, and expansion of the staff from 823 to 1,050 all pointed to this.[26] The new chairman criticized former delay in apprehending bad practices and taking appropriate action:

> Something is very wrong when an advertising campaign, redolent with deception, can run its merry course across the country until it dies of exhaustion and is buried by its sponsors. Small wonder that sensible people shake their heads in wonderment when the Federal Trade Commission digs it out of its grave and orders it reinterred with solemn legality. . . .[27]

Chairman Dixon said the FTC would speed up its internal procedures to protect both business and consumers from bad advertising while the latter was in progress, using "a squad car instead of a hearse." He emphasized that the FTC would not confine its policing efforts to fly-by-night firms.

> We . . . have recently taken action to halt advertising by such not so little companies as General Motors, Ford, and Chrysler. They agreed henceforth not to misrepresent mileage claims for their compact cars. Other actions were directed against Colgate-Palmolive for toothpaste claims; against Eversharp for deceptive TV demonstration of razors; against Aluminum Company of America for misleading demonstrations of its Alcoa alumimum wrap; against Sears, Roebuck and Co. for misrepresent-

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[23] *Annual Report of the Federal Trade Commission, 1954,* p. 54.

[24] *Annual Report of the Federal Trade Commission, 1960,* p. 87.

[25] *Ibid.*

[26] *Advertising Age,* August 14, 1961, p. 93.

[27] "The FTC's Squad Car," *Consumer Reports,* July 1961, pp. 425-26.

> ing the regular prices of encyclopedias; against Standard Brands for misleading TV commercial on oleomargarine; and against deceptive pricing of automobile seat covers by R. H. Macy & Co. of New York.[28]

If such vigorous activity is continued, the FTC will be an even more potent agency of formal control in the future.

B - *Food and Drug Administration*

The Food and Drug Administration, now a part of the Health, Education, and Welfare Department, was established to enforce the Food and Drug Act of 1906, which made illegal the shipment of adulterated and misbranded food and drugs in interstate commerce. The Food, Drug, and Cosmetic Act of 1938 replaced the weaker Act of 1906. It prohibits the misbranding and transport in interstate commerce of any food, drug, device, or cosmetic. An item is misbranded if:

(a) The label is false or misleading in any particular. This includes failure to reveal a material fact important to the use of the product as well as actual false information on the label, package, and booklet or folder that goes with the product or is given out with the package. Advertising claims made in media are not under the jurisdiction of the Food and Drug Administration.

(b) The product does not reveal name and address of manufacturer, dealer, or other enterprise responsible for the contents, and an accurate statement of quantity in terms of numerical count, weight, or volume.

(c) The word, numeral, and the like required on the label by law is not prominently and legibly displayed thereon (inconspicuous labeling).

(d) The container is made and filled so as to be misleading, or in fact contains less of the product than the weight, count, or volume indicated on the label (deceptive container and short weight).

Advertisers are often more cautious about claims on their labels and packages than they are in publication or broadcast advertising because of the strictness of the provisions of the Act and the severity of the penalties prescribed. A producer found guilty under the 1938 Act is subject to imprisonment for not more than one year, a fine up to $1,000, or both. Proven intent to defraud or mislead raises the penalty to three years in jail or a $10,000 fine. Misbranded products are subject to seizure and destruction by the FDA.

The FDA has a small budget ($5.5 million in 1955)[29] and only 250 inspectors. Yet, according to a 1958 study, 84,000 manufacturing or processing establishments, 320,000 eating places subject to the Oleomargarine Amendment, 56,000 retail druggists, and 16,000 wholesale shippers of raw fruits and vegetables are subject to inspection by the FDA.[30] Obviously, it can only spot-check for adulterated food, drugs, or cosmetics, or for mislabeling of these items. Despite this lack of enforcement resources, the FDA accomplishes a great deal of policing each year. The need for greater activity is pointed up by the FDA's estimates, based on experience, that only 58 per cent of manufacturers and processors would pass inspection; the remaining 42 per cent would be found guilty of violation of the law in some degree; and 14 per cent would be in serious violation.[31]

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[28] *Ibid.*, p. 426.

[29] *Consumer Reports*, July 1956, p. 364.

[30] *Consumer Reports*, May 1960, p. 271.

As Consumers Union puts it:

> The fact remains, however, that much injury to health from unwholesome or unsafe foods, drugs, and cosmetics passes undetected, and that many violators of the law get by unscathed, particularly those whose offense is against the pocketbook rather than health.[32]

A good indication of the vigorous enforcement of which the FDA is capable is the drive against 99 firms from July 10 to early August of 1961. During that time 99 seizures of misbranded goods were made; in many cases, temporary restraining orders were obtained pending later hearings. Among the companies prosecuted were Tootsie Rolls (short weight); Puffed Rice and Puffed Wheat (16 seizures for short weight); Beech-Nut Lifesavers (inconspicuous labeling and short weight); Licorice Twists (inconspicuous labeling); Standard Brands tea bags and Tetley tea (both short weight); and Frito potato chips, Continental Baking bread, Blue Ribbon Foods onion soup mix (all short weight).[33] In addition to short weight and inconspicuous labeling, the FDA has scores of cases covering deceptive claims, filthy or adulterated foods, and failure to warn about conditions of use (drugs).[34]

C, *Federal Communications Commission*

The original law governing radio communication was passed in 1927. This Radio Act gave a Radio Commission power to license stations, assign wavelengths, prescribe broadcasting power and standards of operation, and otherwise regulate the industry. A more stringent law, the Federal Communication Act, was passed in 1934. Stations were granted licenses for three years by the Federal Communication Commission (FCC), subject to renewal. The Commission was instructed to consider the public interest and welfare when granting licenses and renewals. Many have felt that the FCC was thereby given power to fail to renew, or even to suspend, a license of a station which failed to serve the public interest by allowing bad programming, persistant dissemination of false or misleading advertising, or commercial material in bad taste.

Throughout the years the FCC has threatened to cancel or not renew station licenses a few times, but it has never carried such threats out. It has on a few occasions suggested standards of practice, including clean advertising, which the industry for the most part proceeded to ignore. It has refused to censor advertising, quite properly, as the Act forbids it to do so.

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[31] *Ibid.*

[32] *Ibid.*

[33] *Advertising Age,* August 14, 1961, pp. 1, 85.

[34] For some interesting examples, see "Protecting the Food Supply," *Consumer Reports,* August 1956, pp. 409-10.

The report on regulatory authorities to President-elect John F. Kennedy by James M. Landis was most critical of the FCC. It was lambasted for being industry-oriented, subservient, and lazy,[35] and for failing to establish acceptable standards on which to base its actions.[36] A need for new, strong leadership was stressed by the Landis Report.[37]

Most critics feel that the FCC has the power through licensing, to impose better standards of conduct on the broadcasting industry. It has not used this power because of timidity and subservience to the very industry it was supposed to be regulating—something that happens when the personnel of the regulatory body are drawn for the most part from members of the industry it is supposed to regulate. It remains to be seen whether this unhappy situation will be rectified in the future.[38]

D. *Post Office Department*

The Post Office Department has strong powers to control advertising carried through the mails, for Congress gave the postal service a proprietary interest in the carriage of the mails. Thus, the use of the mails "is a privilege which can be withheld, not a constitutional right. It has been said that the legislative body in establishing a postal service may annex such conditions as it chooses."[39] Although freedom of the press is guaranteed by Article I of the Constitution, "there is not any constitutional guarantee to the press or anyone else of a free use of the mails."[40] The Post Office Department therefore has the power to deny the use of the mails to offending parties and to prosecute them under the criminal statutes for attempting to use them for illegal purposes.

The Act of 1872 (as amended) denied the use of the mails to obscene matter:

> Every obscene, lewd, or lascivious and every filthy book, pamphlet, picture, paper, letter, writing, print, or other publication of an indecent character . . . is hereby declared to be nonmailable matter and shall not be

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[35] Only 32 cases were handled during 1959.

[36] *Advertising Age,* January 2, 1961, p. 10.

[37] *Ibid.* The same report recommended more power and means be given to the FCC to speed up policing action over deceptive advertising.

[38] A favorable portent, reflecting a revitalization of the FCC under its new chairman, was the lifting of the broadcasting license of a Kingstree, S.C., station because its program content failed to serve the public interest. The matter involved the broadcasting of "coarse, vulgar and suggestive" material by a disc jockey. If upheld, the FCC may get the power to deal with matter that falls short of obscenity, but is "flagrantly and patently offensive." *Business Week,* August 4, 1962, p. 38.

[39] Max Geller, *Advertising at the Crossroads* (New York: The Ronald Press Company, 1952), pp. 220-21.

[40] *Gitlow* v. *Kiely,* 44 F (2nd) 227, 230 (1920); aff'd 49 F (2nd) 1077 (1930).

> conveyed in the mails or delivered from any post office or by any letter carrier.[41]

In 1876 letters or circulars concerning lotteries were prohibited and lottery advertisements in newspapers were covered in 1890.[42] Fraudulent advertising is denied the mails by Section 338 of the U.S. Code (Title 18). The postal inspectors enforce these provisions against fraud, obscenity, and lotteries. The following are examples of the kinds of schemes that have been apprehended by the postal authorities:

> Solicited funds in the guise of puzzle contests; offered addressee greater power through a "cosmic generator"; promised fabulous results from equally fabulous reducing plans; sold inhaling compound certain to cure almost every disease known to mankind; advertised a preparation that would effect an immediate cure for trench mouth, pyorrhea, or syphilis; illustrated rings that actually contained rough-cut industrial diamonds. . . .[43]

From a listing of the above specimen cases it is evident that the Post Office deals with flagrant cases of fraud or obscenity. It is unable, however, to do much about misleading advertising or advertisements that are in poor taste, but not obscene, lewd, or lascivious. Also, like the FTC, the Post Office is often slow in catching up with malefactors and proceeding against them; therefore, it is not too effective as a policing agency.

5, *Securities and Exchange Commission*

The Securities Act of 1933 prohibited the use of the mails to disseminate information about securities that was misleading, deceitful, or fraudulent.[44] An Act of 1934 set up the Securities and Exchange Commission and gave it full powers to ensure truthful, accurate, and adequate advertising of securities sold in interstate commerce.[45] Under the Act people who had relied on misstatements or material omissions were able to recover actual damages plus attorney's fees and court costs.

With this kind of power the Commission has been in a position to effectively police the advertising of all securities sold in interstate commerce. With few exceptions (Canadian mining stocks, over which the SEC has no jurisdiction) security advertising is the most reliable in the country.

6. *Alcohol and Tobacco Tax Unit*

The Webb-Kenyon Act, 1933, granted the states the power to control the traffic in alcoholic beverages within their borders, regardless of the effect that such regulation might have on interstate commerce.[46] This Act gave the states absolute power over the intrastate advertising and selling of liquor—power which they have all used.

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[41] U.S. Code, Title 18, sec. 334.

[42] U.S. Code, Title 18, sec. 336.

[43] Geller, *Advertising at the Crossroads,* p. 227.

[44] *The Work of the Securities and Exchange Commission* (Washington: U.S. Government Printing Office, 1952), p. 1.

[45] *Ibid.* p. 5.

An Alcohol Control Administration was set up in 1933; it was succeeded by a Federal Alcohol Administration, a division of the Treasury Department, in 1935. Control was next delegated to an Alcohol Tax Unit in 1940, which was attached to the Bureau of Internal Revenue. Now called the Alcohol and Tobacco Tax Unit, this body has broad authority over the liquor business. It may prevent liquor advertising that is deceptive, gives inadequate information, makes inaccurate statements, contains disparaging remarks about a competitor's product, or is false, misleading, obscene, or indecent.[47]

Employing the great powers granted under this law, the Unit has proceeded against interstate liquor advertising to such an extent that the advertiser has little more leeway than the announcement of his brand, picture of the bottle, and consumption of his product amid sumptuous or socially correct surroundings. For example, an advertiser cannot imply that a drinker can avoid the effects of a "hangover" by drinking a brand; thus, Calverts had to stop using the slogan "Clear Heads Choose Calverts." Women cannot be shown consuming the product, and children and animals may not be shown in the vicinity where liquor is. The product cannot be connected with Santa Claus. Superior intoxicating effects cannot be claimed for the product.

The Unit's mandates have real power behind them. Every manufacturer of liquor must have a federal license to manufacture or distill the product. Since willful or continued violation of the Unit's rulings by objectionable advertising would be good cause for revoking the license, the industry pays careful attention to what the Unit says. It also does voluntary self-policing to avoid criticism by pressure groups.[48]

7. *Other Federal Agencies*[49]

The five government agencies discussed above and the following Federal Government agencies also influence advertising and selling:

Agriculture Department. Advertising and labeling meat packer products through the Bureau of Animal Husbandry; advertising of seeds; claims made regarding insecticides and rodenticides.

Civil Aeronautics Board. Advertising by airlines and ticket agents; certain trade practices of airlines, including promotions and contests.

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[46] 37 Stat 699, 27 USC, 122.

[47] U.S. Code, Title 27, para 205.

[48] Few people realize that there is no law preventing the liquor manufacturers from advertising over radio or television. To date, self-policing by the industry has been responsible for the ban of liquor from the airways. The Code of Ethics of the NAB also has a statement against it.

[49] Material for this outline was drawn from Morton J. Simon, *The Advertising Truth Book* (New York: Advertising Federation of America, 1960), p. 5.

Commerce Department. Commercial standards set by the Bureau of Standards.

Customs Bureau. Regulation of certain claims made for imported products; may place embargo on foreign trademarked products that infringe on a United States registered trademark.

Defense Department. Limits and controls advertising by defense contractors.

Farm Credit Administration. Advertising concerning Federal Farm Loans.

Federal Home Loan Bank Board and Federal Savings and Loan Corporation. Advertising of federally chartered savings and loan associations and state-chartered associations whose accounts are assured by FSLC.

Federal Power Commission. Advertising by public utilities.

Interior Department. Advertising on lands within its jurisdiction.

Internal Revenue Service. Deductibility of certain advertising claims under Section 162 of I.R.S. Regulations.

Interstate Commerce Commission. Advertising of rates and securities issued by regulated carriers.

Labor Department. Advertising by labor unions and employers where labor relations are involved.

Narcotics Bureau. Strong powers over the advertising of narcotics and products containing narcotics.

Patent Office. Advertising by patent agents and attorneys.

Treasury Department. Marking of sterling silver and solid gold; restrictions on advertising's use of money, coins, stamps, bonds, and the like, both domestic and foreign.

II STATE AND LOCAL REGULATIONS

A. *Truth in Advertising Legislation*

Under the auspices of *Printers' Ink* in 1911, a Model Statute was drawn up to legislate against false and misleading advertising at an intrastate level. The Affiliated Advertising Clubs of the World lobbied before the various state legislatures to get the bill passed. Eventually, 27 states passed the original version of the Model Statute; 17 other states passed modifications of it. Some of the latter incorporate the need to prove intent of the advertiser to mislead by inserting the word "knowingly" into the act.[50] This insertion has weakened the act greatly, for it is difficult for the prosecuter to prove intent or any other state of mind before a court.

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[50] Morton J. Simon, *The Law of Advertising and Marketing* (New York: W. W. Norton & Co., 1956), p. 266.

The Model Statute has not been invoked very often in the 44 states that have it on their books. *Printers' Ink* comments on this situation:

> The original advocates of the statute thought of it more as a deterrent than as an instrument of punishment. Their thinking has proved valid. The number of instances in which the statute has been invoked has been small. However, copies of the statute are well-worn in many Better Business Bureau offices. It is a common practice for a B.B.B. official to call in an offending advertiser and go through the statute point by point to show him where his actions are illegal.[51]

In 1959 *Printers' Ink* suggested the addition of language to the Model Statute to proceed against false price comparisons and bait advertising. In place of this, a number of states have separate laws against these abuses. For example, Massachusetts enacted the first bait advertising law. It says:

> Any person, firm, or corporation that offers for sale merchandise or commodities or service by making, publishing, disseminating, circulating or placing before the general public within the commonwealth, in a newspaper or other publication, or in the form of a book, notice, handbill, poster, bill circular, pamphlet, or letter, or in any other way, an advertisement describing the said merchandise, or commodities, or services, as part of a plan or scheme with the intent not to sell said merchandise, commodities or service so advertised at the price stated therein, or with intent not to sell said merchandise, commodities or service so advertised, shall be punished by a fine of not less than ten or more than five hundred dollars.[52]

Pennsylvania, Ohio, and other states have similar bait advertising laws; some of these, e.g., Pennsylvania, provide for a larger fine and have the option of a jail sentence. Up to the present time few prosecutions of bait advertisers have been pursued under these laws.

B. *Advertising of Specific Commodities*

Some states have laws limiting the advertising of specific commodities, such as agricultural products, processed food products (e.g., oleomargarine), and dairy products.[53] All fifty states have laws that regulate liquor advertising to some extent. Some state liquor control commissions are very strict; others less so. It is not unusual for an advertising agency to make up a liquor ad which passes the qualifications of the Alcohol and Tobacco Tax Unit, and then be obliged to make six to 12 changes to comply with the decrees of various state authorities. The distilling industry spends $250,000 a year in extra advertising production charges to comply with state requirements.[54] Joseph B. Scholnick, director of public relations of Brown-Forman Distillers Corporation, gave a picture of the hodgepodge of legislation in a speech before the National Liquor Stores Association. In illustration of the many contradictory regulations, Mr. Scholnick gave the following:

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[51] "Advertising vs. Government . . ."—Special Report: Part II, *Printers' Ink,* December 4, 1959, p. 32.

[52] Mass.Gen.Stat., Ch 266, Sect. 91A.

[53] Some states have stringent milk control boards empowered to limit the kind and amount of advertising that milk companies can do.

> The laws of 13 states specify that when a distiller advertises a brand of whisky, he *may* show the price of that product. However, 13 other states specifically *prohibit* the advertisement of price. And, one state expressly *requires* that the price be shown. . . .
>
> Santa Claus may not appear in the liquor advertisements of 20 states. . . .
>
> One state, asked to clarify its position in banning Santa Claus, ruled that it "looks with disfavor upon the use of any religious symbol in liquor advertising." Now, can you explain just exactly what religion Santa Claus symbolizes?
>
> Seven states prohibit the use of women in liquor advertisements. However, the District of Columbia goes one step beyond that—there, it is forbidden to use nude or semi-nude women in ads.
>
> There are 13 states that aren't satisfied with merely establishing ridiculous rules and regulations governing advertising—these states also require that each proposed ad must be cleared prior to publication.
>
> In West Virginia, it's perfectly all right if you show, in an ad, a bottle of whisky, a glass, and a man. But, if the same man should pick up that glass or bottle—either empty or full—it's a violation of the law.
>
> In four states, it's illegal to show athletes, or athletic events. However, in the state of Washington, an athletic event is defined as a "competitive game" so in that state, it's perfectly all right to use scenes of noncompetitive athletics—such as fishing, hunting, and the like.
>
> Perhaps you can explain what could have been the legislative thinking which resulted in a law prohibiting any reference to a bank or bank book in a liquor ad? Or, why should a state feel it important to forbid pictures of dogs? After all, how much whisky will a dog buy?

Scholnick pointed out that his company must prepare 27 versions of the same advertisement to comply with the conflicting state laws at considerable extra expense.

> And finally, perhaps the most serious aspect of all is the fact that the existence of such outmoded and foolish laws results in a growing disrespect for all laws.[55]

C. *Occupational and Professional Advertising*

Every state has laws regulating the advertising of professional services, or occupations licensed by the state. Thus, the ban falls on advertising of services by physicians, lawyers, architects, osteopaths, chiropodists, and other professional people, except for modest announcements or cards, listings in directories, and the like. A few states have specific laws governing advertising by funeral parlors, beauty shops, accountants, small loan companies, real estate brokers, schools, and many others.

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[54] Simon, *The Law of Advertising and Marketing*, p. 551.

[55] Reprinted with permission from the June 5, 1961 issue of *Advertising Age*. Copyright 1961 by Advertising Publications, Inc.

D. *Outdoor Advertising*

Many states regulate the outdoor advertising industry. Comprehensive regulation is done under the licensing power, police power, and the power to zone the use of land. Some states prohibit the posting of signs that resemble highway signs and obstruct the view at intersections. Others forbid posting bulletins on certain kinds of property zoned as residential. Still others legislate against posting bulletins on or near specified toll roads or scenic routes. Under the 1958 Interstate Highway Act, a 0.5 per cent bonus toward highway construction was offered to states enacting legislation to keep billboards off the new interstate highways. Only one state, Maryland, took advantage of this bonus from 1958 through June 30, 1961.[56] Despite lack of state cooperation President Kennedy urged Congress to extend the provision for another four years and to raise the bonus to 1 per cent.[57]

III TAXATION

At this time advertising is not taxed, but many attempts have been made to do so. In 1765 a Stamp Tax of two shillings, a substantial amount in those days, was imposed on every advertisement published in the American colonies. It was repealed by the English Parliament in 1766. During the five years of the Civil War, a small tax was levied on advertising, but it was repealed in 1865.

The Economic Report of the President in 1950 recommended a tax on advertising as a measure to combat inflation, but it was not passed. During the decade of the 1950's, proposals were made to tax advertising in nine states and four cities. The city of Baltimore actually passed a 4 per cent tax on advertisers and a 2 per cent gross receipts tax on the media of that city.[58] The act was declared unconstitutional by the Maryland Supreme Court in 1958, and the city was obliged to refund tax payments collected under the law.[59] Sidney A. Diamond, writing in *Advertising Age,* pointed out that advertising taxes are not necessarily unconstitutional. He cited two cases decided in the late 1930's by the United States Supreme Court which affirmed the right of two states, Arizona and New Mexico, to collect a gross receipts tax on the sale of advertising space (2 per cent in New Mexico and 1 per cent in Arizona).[60]

Since "the power to tax is the power to destroy," advertising people are always on the alert to head off proposals to tax advertising in a discriminatory manner so as to inhibit or control it. They feel that taxation is a dangerous and unfair instrument of social control.

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[56] To get this bonus, the state must zone advertising signs from a strip 660 feet wide along both sides of the highway.

[57] *Advertising Age,* March 6, 1961, p. 10.

[58] *Advertising Age,* November 18, 1957, p. 1.

[59] *Advertising Age,* June 15, 1959, p. 84.

[60] *Ibid.*

Another tax question arises from the right to deduct expenses of doing business from taxable income. An important control over advertising could be exercised by limiting the right to deduct advertising expenditures or expenses under the corporate income tax law. Since 1921 the Internal Revenue Service has allowed deductions of advertising expense if they were "ordinary and necessary," not unreasonable considering the line of business in which the company is engaged and the level of expenditure of others in the line.[61] As a matter of practice the IRS has not questioned the reasonableness of any advertising deduction until recently.

In 1959 (February 24) the United States Supreme Court disallowed a tax deduction for "lobbying" advertisements, thereby sanctioning the indirect control of public-issue advertising of all kinds by the government.[62] Under the precedents established the IRS in the same year disallowed contributions of certain electric utility companies for advertising which was against the further extension of public ownership of power-generating and distribution facilities in this country.

Many legal authorities feel that the indirect power to tax exemplified by these decisions constitutes an even graver threat to the freedom to advertise than does direct, overt taxation. Being subject to bureaucratic interpretation by taxing authorities, such control may indeed be dangerous to our freedoms.

CONCLUSIONS

Since the passing of the Model Statute by most states and the repeal of prohibition in 1933, there has been a great ramification of state advertising laws. An overwhelming number of these laws "are overlapping, needless, and nonsensical."[63] If the revised version of the Model Statute were adopted and well enforced by all states, over 4,000 state laws affecting advertising should be swept away.[64] Such a course of action would be more desirable than a further elaboration and proliferation of needless formal controls over promotion.

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[61] *Advertising Age,* June 23, 1958, p. 99.

[62] *William B. Cammorano and Luise Cammorano* v. *U.S.; F. Strauss & Son, Inc.* v. *Commissioner of Internal Revenue.* In both cases petitioners had run paid advertisements in newspapers to defeat certain proposed legislation.

[63] *Printers' Ink,* December 4, 1959, p. 32.

[64] *Ibid.*

Chapter 21

Informal Control of Promotion

Society has two ways of influencing promotion. John Maurice Clark makes the distinction between the two:

> Formal controls are primarily those exercised through the official machinery of government, and backed by compulsory mandates. But behind the enactment and enforcement of these mandates lies a whole world of forces exercising social control upon the government in a multitude of ways. And it should not be surprising to find that these forces, being powerful enough to affect the action of government itself, can and do act directly without mediation of government. Custom, tradition, religion, education, propaganda, public opinion, and the *esprit* of a class, an organization, or a profession—all are vital forces and through them all moral forces of various sorts are brought to bear. So important are these informal controls that there are some who believe that we should get on better if we employed no others. Whether this is true or not, the working constitution of industry depends so largely on these controls that without some knowledge of them we cannot possibly understand the world we live in, and why business is a system of order and not of chaos.
>
> Direct control by group opinion has many advantages over state action; likewise it has the defects of its qualities and some serious disadvantages and weaknesses. It is cheap, requiring, for the most part, no monetary support. It is prompt in action; but, on the other hand, when for any reason it cannot act promptly it often forgets to act at all. It discriminates between case and case according to many circumstances which would appear irrelevant to a court. . . .[1]
>
> If it could not rely on voluntary obedience in the majority of cases, our system of control would be a dismal failure. We already have more laws than we can enforce, and this is bad in every way. If the laws were enforced, the overgrown area of compulsion would itself be a worse evil than

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[1] *Social Control of Business,* 2nd ed. (New York: McGraw-Hill Book Co. Inc., 1939), p. 210. Used by permission.

> to let a few abuses go unprohibited. A happy way is afforded out of the dilemma when moral forces can be trusted to put some check on abuses with which the law has not dealt effectively. Most of the control in business must always be moral in character.[2]

Clark points out that the embodiment or expression of these informal controls is generally in the form of codes. "A code typically contains items of various grades, including things one *may* do, things one *must not* do, things one *must* do, and things which carry some positive merit but are not required."[3] Codes typically deal with relations among members of a trade group, and their relations to other groups or to the public. A code may be written, but often times there is tacit understanding among members of the group—folkways and mores that have evolved over time and are perhaps "unwritten law."

Business groups as well as professions have codes; the advertising and selling fields are not exceptions. Although some codes in these fields are written (examples given later), many are unwritten practices of the trade. Since informal controls (sometimes termed self-policing activities) can be strong, many people hope to control the promotional areas by engendering improved ethical standards within the groups and by establishing self-policing mechanisms to enforce compliance with group pressure. They realize that the prime requisite of a good self-policing mechanism is that it be lived as well as written.[4] A code is hypocrisy unless all responsible members of a trade group follow it. A climate of ethicality must prevail in any field if self-regulation is to work. Whether advertising, selling, and public relations are such fields is an open question.[5] Paul Rand Dixon, Chairman of the Federal Trade Commission, believes self-policing has failed and will not work; Earl W. Kintner, former Chairman of the FTC, believes it has worked and will continue to do so. The authors subscribe to Kintner's point of view, believing with J. M. Clark that a good society "economizes coercion," particularly the kind involved with government fiats.

HOW POWERFUL IS PROMOTION?

In one of his earlier books, *The Hidden Persuaders,* Vance Packard warned that the consumer was subtly influenced by powerful forces. He pointed out that the study of people's unconscious motivations was putting a powerful tool in the hands of sellers. Control of multiple channels of communication by the commercial persuaders was battering them into a state of dazed acceptance of whatever goods and services were put before them. A stunting and withering of the independent personality was predicted; the consumer was turning into a virtual automaton.[6] As Daniel Bell puts it: "Big business sits at the controls of mass communication and becomes one of the major arbiters of taste, often with deleterious consequences."[7] Promotion supposedly introduces ever more conformity in consumption patterns, despite the development of some new minority markets—quality books, classical records, Scandinavian furniture, stereo and hi-fi phonographs, and the like.[8]

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[2] *Ibid.,* p. 203.

[3] *Ibid.*

[4] *Ibid.,* p. 219.

[5] See "Will Self-Regulation Work?" *Printers' Ink,* June 2, 1961, p. 13.

The noted anthropologist, Margaret Mead, answers the latter charge by citing studies of other types of cultures. She shows that in every society people conform to the group norms. In primitive societies, conformance to every aspect of living is narrowly and stringently imposed on the individual by the group. Violation of taboos results in punishment, expulsion, or even death.

Unlike many other societies and cultures, the American society has become self-conscious about its conformity. Dr. Mead does not find this "new consumer culture" nearly so stereotyped as the Vance Packards make it seem. She comments:

> Advertising today is playing the role . . . of being the agency that is helping people upgrade themselves, teaching them what kind of clothes, what kind of furniture, what kind of wallpaper, and what kind of thoughts people of their or the next social class ought to have.
>
> This upgrading is good. . . . It used to be called "being mobile upwards" and it wasn't nearly as good as "upgrading." You all spoke today with appreciation of the flexibility of American society. . . .[9]

According to Dr. Claude Robinson people are not particularly upset about advertising.[10] Actual public opinion polls taken among typical housewives by the Opinion Research Corporation show that the vast majority (86 per cent) have good opinions of advertising.

> They said advertising is helpful and informative; that it exaggerates to be sure; sometimes talks to you as if you were a moron; and on occasion is misleading, but that we are better off with it than without it.[11]

Some people think that advertising has become a convenient scapegoat, a whipping boy against which critics can vent their dissatisfaction with conditions in modern society. Certainly, the power of promotion has been grossly exaggerated.

Psychologists claim that the consumer is not a mindless automaton whom the hidden persuaders control. He has much functional autonomy. Advertisers have often been disappointed when they have tried to "put over" a new product that does not properly satisfy needs and wants by saturation advertising.

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[6] Summarized by John Dollard, "Fear of Advertising," in Sandage and Fryburger, *Role of Advertising,* pp. 307-17.

[7] "The Impact of Advertising" in Sandage and Fryburger, *Role of Advertising,* pp. 280-85.

[8] *Ibid,* p. 285.

[9] "The Worm of Self-Consciousness in American Culture" in Sandage and Fryburger, *Role of Advertising,* pp. 286-93.

[10] "Are the People Mad at the 'Hidden Persuaders'?" in Sandage and Fryburger, *Role of Advertising,* pp. 294-306.

[11] *Ibid.,* pp. 298-99.

Wallace H. Wulfect points out that the modern consumer is exposed to so many sales and advertising stimuli every day that he has developed a resistance to them.[12] The universal law of diminishing productivity is at work here; that is, the greater the saturation of impressions, the less their effect. Raymond A. Bauer expands on this thesis:

> Without doubt we have, largely on the basis of improved social science knowledge in the fields of psychology, sociology, and anthropology, developed increasingly refined and effective means of persuasion. It does not follow, however, that even in the field of advertising we are able to effect more persuasion. How can this be? Simply because the increased knowledge benefits not only the persuaders but also the target of persuasion. As the persuaders become more sophisticated, so do the people to be persuaded . . . the individual's resistance to persuasion probably increases in proportion to the efforts made to persuade him against his own perceived interest. We may go even further than that. Our primitive anxiety concerning the possibility of being manipulated leads us to resist persuasion by others, even in some instances where it may be *in our own interest*. Thus, we have an automatic response: "Nobody's going to tell me what's good for me."[13]

Thus, the old military axiom that a new offensive weapon or strategy invariably is offset by a countervailing defensive technique seems to be applicable to promotion. The consumer has developed his own psychological defenses, and is by no means easy to manipulate by the "hidden persuaders," who, incidentally, are not so hidden after all.

I. CONTROLS EXERCISED BY THE CONSUMERS INDIVIDUALLY

Besides increased psychological defenses against persuasion, the consumer has developed certain controls, which in total are probably more effective than any other kind.

A. *Resort to Legal Action*

A buyer may bring a court action against a seller for breach of warranty, or tort. For expensive items, such as automobiles, major appliances, pianos, and the like, the seller often gives a written guarantee at the time of sale. If the goods are not as represented, or fail to perform satisfactorily, the buyer may compel the manufacturer to fulfill the warranty. Sometimes, he may hold the retailer, too, when the latter has added his guarantee. If the seller fails to remedy the situation, the buyer may easily prove the warranty before an appropriate court and compel a proper adjustment.

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[12] "Are there Limits to Advertising Receptivity?" in Sandage and Fryburger, *Role of Advertising*, pp. 224-27.

[13] "Limits of Persuasion" in Sandage and Fryburger, *Role of Advertising*, pp. 228-37.

In most cases the seller gives no express warranty with the goods; an implied warranty exists. The courts assume that an implied warranty exists by the very nature of the buyer-seller relationship. Such warranties cover: (a) implied warranty of title—the seller guarantees that he has power to pass title or ownership to the goods; (b) warranties of merchantability and fitness for purpose for which bought—that is, the goods must be free from defects that would make them unsalable and the foods "reasonably fit" for the purposes for which they were sold.[14]

The consumer receives little protection under implied warranty. The goods might be "fit for the purpose" at point of sale, but break soon after they are used. Protection is limited in express (written) warranties also; technical, legalistic phraseology may so restrict the rights of the buyer that the warranty means little. Even outright misrepresentation or fraud is usually difficult to prove. Moreover, all these cases require expensive legal talent and the valuable time of the buyer to testify in court; the seller benefits from such expensive delays and appeals, since they wear down the resources and patience of the buyer. Therefore, legal redress is not very useful. It is never a practicable alternative in cases involving low cost convenience goods unless there is a chance that the buyer can collect substantial damages.

B. *Trial and Error*

This is a useful control for frequently purchased, low unit value merchandise (convenience goods). A young, newly married housewife may try several different brands of detergent until she finds one that she likes best. She will use this brand until something interferes with the habit (deteriorating quality of the product, advent of new and better type of product, stronger advertising appeal by competing brand). By the time she reaches middle age this housewife has a wealth of experience.

Since information about products and brands is communicated between groups (vertically) and spread among members of a group (horizontally), the advice of neighbors, friends, work associates, and others is an important control. The young housewife receives advice from her mother about the "best" brands; the husband, when considering the purchase of a new car, asks his friends and associates about *their* experiences with the different makes.

Trial-and-error methods are not too useful for high unit value, infrequently purchased merchandise (shopping and specialty goods). If the housewife is dissatisfied with a certain brand of soap powder, she has lost but a small sum and avoids *that* brand another time; but if she buys a piano, for instance, trial and error is not much use; here, experience keeps a dear school.

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[14] Alfred H. Bays, *Cases and Materials on Business Law* (Chicago: Callaghan & Co., 1939), secs. 347-50.

C. *Other Methods*

Consumers sometimes feel that price is a good guide—"you get what you pay for." By buying expensive makes, they feel that they have obtained superior quality. Although this notion is partially true, many customers are deceived by overreliance on price as a guide to quality.

Some consumers patronize stores with a good reputation for stocking superior merchandise and for standing behind it. Here, the buyer relies on the retailer to be his "purchasing agent." The retailer backs up his knowledge with his own guarantee on the goods and by a liberal return goods privilege. The rapid rise of the discount house demonstrates that this method of control is not too important to present-day consumers, since discount houses do not guarantee articles. On the other hand, many buyers are willing to pay more for the same merchandise to secure a guarantee with the goods.

Since retailers do exercise their professional skills by purchasing superior merchandise at reasonable prices, they do provide protection for the consumer. However the consumer must appraise the various stores in his shopping area to know which have these skills. Studies have shown that customers do develop these institutional appraisals, particularly in shopping goods; a shopper will favor store A for white goods, store B for fashion apparel, store C for appliances, and so on.

Finally, consumers often feel that they receive protection by purchasing goods made by big, reliable companies. Since large national advertisers are seeking permanent markets, they must manufacture satisfied customers just as much as goods. Their good reputation alone will secure the repeat business necessary for survival. These manufacturers will do adequate research and development, put good material into the product, make it according to the latest technology, and sell it at reasonable prices. For many years the Brand Names Foundation has been emphasizing how nationally advertised goods safeguard the consumer.

This is a valid viewpoint. Of course, leading national advertisers occasionally have produced "lemons," and sometimes "quick buck" artists have gained control of an old, reputable firm and lowered the quality of its product. However, for every one of these cases, there are scores of companies doing their best to make the finest possible product for the money. The consumer knows this and favors the brands of such establishments.

II CONTROLS EXERCISED BY THE CONSUMER COLLECTIVELY

The great, nebulous activity designated as "the consumer movement" represents the collective attempt by consumers to achieve maximum satisfaction in spending their incomes by obtaining assistance in buying and using goods wisely. It originated in the 1830's when the first consumer cooperatives were formed in England, but it received its greatest stimulus during the Depression years of the 1930's when wise expenditure of incomes was of crucial importance to millions of families. The writers in what Kenneth Dameron calls "the protest group"[15] popularized and dramatized the weaknesses of the consumer as a purchaser. Stuart Chase and F. J. Schlink, in their pioneering book, *Your Money's Worth,* described the predicament in which competitive advertising placed the consumer "who attempted to find his way to an intelligent purchase through an uncharted jungle of conflicting claims, skillfully prepared misinformation, flattery, sex appeal, and exaggerations."[16] This book and others attempted to educate consumers about how to avoid being duped; actual brand names and cases were furnished.[17]

As a result of this agitation, schools and colleges added courses on consumer economics to their curricula; federal, state, and local governments encouraged the growth of the movement; and cooperatives enjoyed continued growth, particularly after World War II. Organized groups, such as the American Home Economics Association, American Association of University Women, and the National League of Women Voters, devoted special attention to consumer purchasing problems. Finally, consumer rating services were set up as a result of the exposés of the interwar period.[18] There was considerable attrition of these organizations, and today only one, Consumers Union, is of any importance.

In general, the consumer rating organization provides some or all of the following services:

1. Tests merchandise, gives ratings, advises consumers.
2. Aids in consumer education through performance of above service, plus preparation and distribution of materials to be used in consumer education programs.
3. Promotes buying by grade and specification.
4. Lends support and lobbies for legislation favorable to the consumer.
5. Provides films for use in consumer education.
6. Looks into conditions of production; if wage and hour conditions are not right, the product does not receive approval.
7. Serves as middleman and supplies the item.
8. Gives news of consumer activities and suggests ways and means of improving the status of consumers.
9. Sells books by members of the staff.[19]

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[15] "The Consumer Movement," *Harvard Business Review,* Spring 1939, p. 271.

[16] (New York: The Macmillan Company, 1927).

[17] Other books are A. Kallet and F. J. Schlink, *100,000,000 Guinea Pigs* (New York: Vanguard Press, 1932) and Ruth Lamb, *American Chamber of Horrors* (New York: Holt, Rinehart & Winston, Inc., 1936).

[18] Consumer Research, Washington, New Jersey; Consumers Union, New York, New York; Inter-Mountain Consumers Service, Denver, Colorado; National Consumers League, New York, New York; The National Consumers News, New York, New York; The Consumers Guild of America, New York, New York.

[19] Dameron, "The Consumer Movement," pp. 276-77.

It is difficult to measure the influence of the consumer rating services. The circulation of *Consumer Reports,* published monthly by Consumers Union, grew from about 100,000 just after World War II to more than 900,000 in 1961 (covering about 2 per cent of the nation's families). Analysis of the circulation of *Consumer Reports* shows that they reach a relatively high socio-economic group for the most part.[20] Some people argue that these affluent, intelligent people do not need guidance nearly so acutely as the poorer, less intelligent segments of our society. Another weakness is the inability of consumer rating services to rate the aesthetic and psychic aspects of a product. Sometimes, a beautifully designed product yields as much satisfaction to the owner as one more durably constructed, but less attractive; but laboratory tests can only rate the objective performance characteristics of products. Finally, critics argue that since only conspicuous national brands can be rated, regional brands and private (middlemen) brands, which may be good buys for the consumer, are not considered.[21]

Many retailers have cooperated with the consumer movement. They have set up extensive testing laboratories for objective evaluation of all goods before the latter are sold in the stores.[22] Other dealers have demanded informative labeling; they insist that suppliers furnish full information on construction, materials, and suitability of the item for different uses, and they make sure that such labels are on their own private brand merchandise.

III, ACTIVITIES OF INDIVIDUAL ADVERTISERS

Self-regulation by the firm who places and pays for the advertising and who trains its salesmen as to what claims to make, is a promising means of control. There will be no bad advertising or selling if those who produce the product or service do not engage in it.

A student of self-regulation of advertising, Richard L. Childs, sent letters to the ten largest national advertisers, asking them what self-policing procedures, if any, they exercised. Three companies out of ten had set up special committees to guard against objectionable advertising.[23] A fourth company, which did not have such a committee, regularly sent its advertising material to the legal department for review.

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[20] Median annual income, $9,000; 74 per cent of readers were college educated; 30 per cent had postgraduate work; 60 per cent were in professional and managerial occupations. *Consumer Reports,* April 1960, pp. 211-12.

[21] Dameron, "The Consumer Movement," p. 277. Another objection is that the performance criteria set up by the rating agency may not be those most important to the consumer, e.g., economy and durability in his auto may mean less to him than peppy performance and luxury in appointments and optional equipment.

[22] Sears, Roebuck & Company, for example, has testing laboratories which are larger and more complete than those of the United States Bureau of Standards in Washington. They test merchandise to verify a manufacturer's or buyer's claims, to see how the item compares with competing items on the market, to determine just how well the item will stand up under simulated usage. See Boris Emmett and John E. Jeuck, *Catalogs and Counters* (Chicago: University of Chicago Press, 1950), p. 378.

[23] *Self-Regulation in Advertising* (Philadelphia: University of Pennsylvania, 1956), p. 70.

General Mills presents a case of competent self-control. It has an Advertising Policy Committee, which includes the director of advertising and members of the products control, public relations, and legal departments. The committee carefully reviews all competitive claims and reports its findings directly to the president of the company. It also reviews all major advertising policies and evaluates campaign plans received from the company's advertising agencies.[24]

Although there is no substantial evidence, the authors believe that most large companies submit advertising and selling copy to their legal departments for review. Although such action covers the legal aspects, other matters may not be evaluated, such as ethics and good taste. In smaller companies the advertising manager is probably the only arbiter of company advertising.

It is a good omen that even a minority of our large advertisers consider boards of review desirable. If different viewpoints of a problem are discussed, objectivity will be increased. The advertising manager is too emotionally involved with his own department and his advertising agency to be objective. If great and small advertisers set up policing techniques within their organizations, bad advertising would be caught at the source.

IV ACTIVITIES OF TRADE AND PROFESSIONAL ASSOCIATIONS

Associations are in a good position to police the selling and advertising efforts of their members if the latter so desire. They can review the advertising copy of a member before it is run. Complaints from the public or competitors may be sent to them and investigated. They may initiate and promulgate a code of ethics and exercise moral suasion on members to honor it. They may set product standards and award seals of approval to manufacturers who adhere to good ethical practice. Offending members may be punished by them.

The Proprietary Association of America, for example, whose members handle over 80 per cent of all packaged medicines sold in the United States, has promulgated a strong code of ethics. Its members may submit advertising copy before publication to the Association to be examined for conformity with the codes and provisions of the Federal Trade Commission Act.[25] The Association also receives complaints, investigates them, and attempts to get offending members to remedy infractions. It has powers to expel members who persistently refuse to act on its recommendations.[26]

The Toilet Goods Association consists of more than 500 cosmetics manufacturers. The Association has a Board of Standards to which members submit their copy before running it.[27] The Board reviews the copy to assure conformity with the Food, Drug, and Cosmetic Act and other regulations, and it is returned marked "approved," "approved with corrections," or "unacceptable." There is close liaison between the Association and the Food and Drug Administration. The proportion of member advertisements submitted to the Association for evaluation is unknown, but the executive secretary stated that the "great majority" of companies submit their copy.[28]

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[24] *Ibid.*

[25] *Business Week,* July 8, 1944, p. 86.

[26] *Ibid.*

Both the American Medical Association and the American Dental Association have established standards which advertisements must meet before they can be published in the associations' respective publications. Special councils were set up by the AMA to investigate the claims of the various products within their purview.[29] All advertising copy must conform to the following rules:

1. Advertiser may be required to submit data in support of the usefulness of the product and the validity of the proffered claims.
2. Advertisement must not be deceptive or misleading.
3. Sweeping superlatives and unfair comparisons will not be allowed. Extravagantly worded copy is subject to revision or rejection.
4. Disparagement of a competitor's goods will not be allowed. Any claims for superiority must be supported by evidence acceptable to the Association.[30]

In examining claims, the council considers scientific and laboratory evidence submitted by manufacturers. It also obtains opinions from experts who serve as consultants. If the copy does not coincide with the scientific facts thus adduced or violates the code, it is rejected. The AMA used to grant a seal of acceptance to products that passed a council's examination, but this was abandoned in 1955.[31] The American Dental Association still grants such seals.

The self-policing activities of the trade and professional associations just described are unique. Child's survey of a cross section of important industrial associations indicated that the overwhelming majority made no attempt to regulate advertising or selling practices of the members. Many stated it was not their business to regulate members' advertising or to promulgate a code of ethics.[32] Hence, except for the few outstanding instances discussed above, business or trade associations do little self-policing.

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[27] Childs, *Self-Regulation in Advertising,* p. 66.

[28] *Ibid.*

[29] Council on Foods and Nutrition; Council on Pharmacy and Chemistry; Council on Physical Medicine and Rehabilitation.

[30] *Journal of the American Medical Association,* July 30, 1955, p. 1175.

[31] *Ibid.,* p. 1170.

[32] Childs, *Self-Regulation in Advertising,* p. 60.

V. ACTIVITIES OF ADVERTISING ASSOCIATIONS

As early as 1931 the American Association of Advertising Agencies (AAAA) and the Association of National Advertisers (ANA), formed a joint committe on advertising standards. A code was drafted which is still in force. It designates the following practices to be unethical:

1. False statement or misleading exaggeration.
2. Indirect misrepresentation of a product or service through distortion of details or of their true perspective either editorially or pictorially.
3. Statement or suggestions offensive to public decency.
4. Price claims that are misleading.
5. Testimonials which do not reflect the real choice of a competent witness.[33]

In 1946 the AAAA set up a committee for the improvement of advertising content. This committee operated the Interchange of Opinion, made up of 17 professional advertising men who followed the AAAA Code of Ethics. Any agency may bring a complaint to this Interchange. If the latter, after proper investigation, finds that the advertisement in question violates the code, the offending advertisement is sent to the agency that composed it, together with the committee's objections. The agency then has 30 days to inform the AAAA of the corrective measures taken. If a member refuses to take appropriate action, it may be expelled from the Association.

From 1950 through 1954, 1,014 criticisms were handled.[34] From 1955 through 1959, the committee processed 260 criticisms.[35] Of these 260, the committee found objectionable advertising in 151 cases, 58 per cent of the total. The main causes of criticism were:

Bad taste	88
Manifestly misleading	44
Unfair—excessively derogatory or for some other reason objectionable to the public	19

Robert E. Allen, chairman of the committee on advertising content, reported that all but four cases voluntarily complied with the committee's objections; three of the four agencies were not members of the AAAA.[36] Since the advent of television, the AAAA has employed a monitoring service to record television commercials. Photoscripts of offending commercials are sent to Interchange members for their appraisal and vote.[37] Allen concludes: "The Interchange has been effective voluntary self-regulation."[38]

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[33] *Standards of Practice,* American Association of Advertising Agencies, October 20, 1954, n.p.

[34] *Ibid.*

[35] *Advertising Age,* May 23, 1960, p. 99.

[36] *Ibid.*

However, this system has several limitations: (1) The members are reluctant to cite another member to the Interchange; (2) Interchange members, being in the advertising business, are not wholly objective; and (3) enforcement is rather weak, since expulsion of a member from the AAAA is not drastic punishment and does not create publicity.

To be more effective, the Interchange should receive complaints from competitors and the general public as well as from other agency members. Members of the committee should be recruited from persons outside the advertising industry, and publicity should be given to a member who refuses to comply with an Interchange complaint and/or is expelled from the Association. Despite its limitations the Interchange of Opinion represents a laudable attempt by the advertising industry to police its members.

The Association of National Advertisers adopted the same code as the AAAA, but, unlike the latter, it has no enforcement machinery. The Advertising Federation of America has a nebulous statement of principles and works to build sentiment in favor of truth and good taste among its members. Its president, Elon G. Borton, stated that its main purpose was to work through the 134 member advertising clubs to build up the public's regard for advertising by local speeches and pamphlets.[39] The AFA assumes no direct self-policing responsibilities; instead it uses propaganda to counterbalance the attacks of critics.

VI ACTIVITIES OF BETTER BUSINESS BUREAUS

The struggle for improved standards for advertising began at the turn of the twentieth century when the "muckrakers" wrote exposés of big business. *Printers' Ink,* a leading marketing journal, in a series of articles from 1905 on, urged that the advertising industry take organized action to clean up its house, especially patent medicine advertising. At the 1911 convention of the Associated Advertising Clubs of America (now the AFA), however, the movement for truth in advertising was formally launched. It was sparked by "The Ten Commandments of Advertising" presented to the convention by an outstanding leader in the fight for truth, Joseph H. Appel, the advertising manager of John Wanamaker. Voluntarily adopted by the 1911 Convention, these ten commandments became the basis for *Printers' Ink* Model Statute.[40] This statute, drawn by Harry D. Nimms, a New York lawyer, was published by *Printers' Ink* in November 1911.[41]

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[37] *Ibid.,* p. 100.

[38] *Ibid.*

[39] Letter cited in Childs, *Self-Regulation in Advertising,* p. 59.

[40] Appel's Commandments are worth repeating today: "1. Thou shalt have no other gods in advertising but truth; 2. Thou shalt not make any graven image of wealth, or power, or station, and thou shalt not bow down thyself to them nor serve them except with honor; 3. Thou shalt not use the power of advertising in an unworthy cause or in behalf of unworthy goods; 4. Remember the working day to keep it holy; 5. Honor

At the same time many local advertising clubs formed "vigilance committees" to police advertising in their areas, and a National Vigilance Committee was established by the Associated Advertising Clubs in 1911. By 1916 there were such committees in eight major cities. They were gradually called Better Business Bureaus instead of Vigilance Committees.[42] During the next generation the movement spread and grew until, by 1960, there were 107 Better Business Bureaus in major cities and more than 700 Better Business Divisions in local chambers of commerce of centers too small to support a full-sized bureau. Each bureau or department polices advertising and selling practices in its respective area. In addition, a National Better Business Bureau serves as a coordinating body and handles questions involving national or interstate advertising and selling.

Each bureau is supported by voluntary contributions of local business firms. Manufacturing companies, retail stores, banks, service organizations, and the like subscribe to a membership which gives them the privilege of using information collected by the bureau as well as certain other bureau services. The original intention was to raise local business ethics generally and to protect the honest local business man member from other business men who might mislead or defraud him. Later on, the bureaus extended their activities to protect the general public against unethical practices as well.

A typical local bureau has many activities. In a file, or dossier, of local firms is entered the record of honesty or dishonesty of each local company—the number and nature of complaints lodged, whether satisfactory adjustment was made, whether the firm or its employees ever had trouble with the law, and other pertinent information. Company members have first call on this information, but inquiries from the public are also answered. Through local publicity the bureaus encourage members of the public to investigate companies before they make contracts with them or purchase their products or services.

The bureau receives and investigates complaints from members or from the public. Some large bureaus have readers who examine local advertisements in newspapers and handbills and over radio and television. Those that seem suspicious are investigated, as are complaints. Many times a

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thy business and thy advertising, that they may honor thee, and thy days of usefulness may be long upon the land; 6. Thou shalt not kill fair competition from without, nor ambition from within thine own organization; 7. Thou shalt not lie, misstate, exaggerate, misrepresent, nor conceal; thou shalt not bear false witness to the public but thou shalt be fair to thy merchandise; 8. Thou shalt not steal by false pretense in statements, spoken, written or printed; 9. Thou shalt not permit adulteration or substitution in advertised goods; 10. Thou shalt not covet, nor imitate, nor run down thy neighbor's name, nor his fame, nor his wares, nor his trade, nor anything that is thy neighbor's."

[41] H. J. Kenner, *The Fight for Truth in Advertising* (New York: Round Table Press, Inc., 1936), p. 27. Kenner's account is the best available history of the better business movement and the attempt to improve business ethics. Kenner himself was an intrepid fighter for truth in advertising.

[42] *Ibid.*, p. 61.

bureau employee will shop at a store to ascertain whether the offer is *bona fide*. Goods will be sent to a testing laboratory or otherwise analyzed to determine if material and workmanship are as represented.

If the bureau finds that a complaint is true, it brings the evidence before the offending seller and asks him to voluntarily cease or rectify the matter. The bureaus claim that they obtain voluntary compliance in over 90 per cent of the cases. If voluntary compliance is not secured, the bureau gives the violation publicity by publishing releases to its members and informing the local newspaper and radio and television stations. If cooperation is still not obtained, the case may be referred to the district attorney's office for possible legal action. Very few cases reach trial stage, but when they do, the bureau invariably wins the case.[43]

When an entire industry is accused of unethical practices, the bureau will call a trade practice conference.[44] All local business men in the line of trade will be assembled. The bureau informs them of the practice subject to complaints. All discuss the problems and often how to avoid their recurrence. The bureau prefers to have the business men themselves formulate the solutions, but it will help by revealing how other cities have handled the same problem. Recently more than 1,000 trade practice meetings were held by the bureau.[45]

The National Bureau handles national advertising and gets publicity in the broader media. It issues a "Guide to National Advertising and Selling" for national advertisers, and a "Do's and Don't's in Advertising Copy" to guide local retail stores in preparing truthful and informative copy. It also acts as a clearing house for intelligence; for example, it often warns local bureaus about some fraudulent scheme that has appeared in other areas.

The greatest load of the bureau today is handling inquiries; of the 2,250,000 calls handled in a year, eight out of ten are inquiries, and only two out of ten are complaints. Since the ratio used to be much higher for complaints, the bureau feels that people are finally investigating before they do business, rather than complaining after the damage has been done.

Although there are 85,000 member firms nationally, the average contribution is only around $50 per year; thus, the bureaus are not well financed and feel they could do a better job if they had adequate means.

As it is, the Better Business Bureaus have brought about an improved ethical tone to advertising and selling in areas where they are well supported by the local business community. Most authorities agree that advertising and selling abuses are worse at the local level than at the national level. The constant vigilance of a local bureau helps keep down fraudulent or misleading advertising and selling. A bureau's service in warning members of fraudulent schemes increases the problems of promoters in the deceptive goods field. When supported by local media, a bureau can also educate the general public to be better buyers. Finally, many people who deplore further incursion of government into private business can point out the substantial results of the Better Business Bureaus as an example of how well voluntary control can work. In total, this effort is quite impressive: two million advertisements were checked in 1959, and 50,000 cases were investigated. According to Lowell Mason, in 1959 the Better Business Bureau had three times the personnel that the government had to handle false and misleading advertising.[46] The former FTC commissioner pointed out: "This is democracy in action. There is no waiting from two to ten years for a case to go to the Supreme Court."[47]

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[43] The Philadelphia Bureau has never lost a case.

[44] The Philadelphia Bureau has had conferences in the following fields: aluminum storm windows, television sets, plumbing and heating, and home renovation.

[45] Childs, *Self-Regulation in Advertising*, p. 42.

ACTIVITIES OF ADVERTISING AGENCIES

In addition to the work of the Interchange of Opinion of the AAAA, many larger, reputable advertising agencies do some policing on their own. They check copy claims, submit copy to lawyers for analysis, and take other precautions. Some refuse to handle advertising for certain products (race tracks, liquor). Agencies sometimes resign accounts they think are transgressing accepted standards.

VII ACTIVITIES OF ADVERTISING MEDIA

There are no examples of informal control over advertising by the advertising media until 1859, when Orange Judd began to expose humbugs and frauds in his *American Agriculturist.* In 1860 he announced that he would exclude from his magazine "deceptive advertisements, also those persons who are reported not to perform what they promise."[48] The *Farm Journal* in 1880 began to guarantee the reliability of advertisers using its columns. By 1900 other agricultural papers were giving similar guarantees to their readers. In 1892 *Ladies Home Journal* announced that it would accept no more patent medicine advertising. *Good Housekeeping* set up the Good Housekeeping Institute in 1906 to investigate claims of advertisers, going so far as to test doubtful merchandise. A seal of approval was designed, and the magazine gave products bearing this seal and/or advertised in *Good Housekeeping* a money-back guarantee to the readers.[49]

Today some media have standards that advertisers must meet before using the media's facilities to run advertisements. Although thousands of dollars are turned down every year by advertising media, the efficiency of this voluntary control method is impaired by unevenness in standards and a reluctance to enforce them. Since thousands of media firms are involved, the subject can be studied only on a sample basis. Accordingly, specimen media will be examined to see how effectively they police themselves.

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[46] *Advertising Age,* May 18, 1959, p. 101.

[47] *Ibid.*

[48] Kenner, *The Fight for Truth in Advertising,* p. 7.

[49] *Ibid,* p. 10.

Newspapers

The American Newspaper Publishers Association has no code, but the Newspaper Advertising Executive Association has a code which dates from 1914:

> No advertisement will be published if it is fraudulent, misleading, or otherwise harmful, and salesmen will be instructed to advise advertisers in the manner that will produce maximum returns and to avoid overselling or other unsound methods.[50]

The Association has no machinery for policing the code.

Newspapers run the gamut of effectiveness in self-regulation. At one pole are *The New York Times* and *St. Louis Free Press* which set standards and reject questionable advertising. At the opposite pole are small papers which have no regulation or checking mechanisms and will accept any advertisement.[51] *The New York Times,* for example, has a clear-cut set of principles. The "Index Expurgatorius" specifies the following as unacceptable:[52]

1. Fraudulent or doubtful advertisements.
2. Offers of something of value for nothing, advertisements that make false, unwarranted, or exaggerated claims.
3. Advertisements that are ambiguous in wording and which may mislead.
4. Attacks of a personal character, advertisements that make uncalled for reflections on competitors or their goods.
5. Advertisements holding out the prospect of large guaranteed dividends or excessive profits.
6. Bucket shops and offerings of undesirable firms.
7. Advertisements that are indecent, vulgar, suggestive, repulsive, or offensive.
8. Matrimonial offers.
9. Objectionable medical advertising.
10. Offers of homework.
11. Mailing lists offered for sale.
12. Advertisements of offers "to grow real hair."
13. Advertisements of fortune telling, dream interpretations, individual horoscopes and nativity writings.
14. Any other advertising that may cause money loss to the reader, or injury to health or morals, or loss of confidence in reputable advertising

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[50] *Printers' Ink,* April 11, 1952, p. 54.

[51] *Printers' Ink,* August 20, 1954, p. 52.

[52] "Advertising Acceptability Standards," *The New York Times,* 1948, n.p.

or honorable business, or which is regarded by *The New York Times* as unworthy.[53]

Every display advertisement which *The New York Times* receives is first read by the publication office staff. Those which need checking are passed to the Advertising Acceptability Department. If there is serious doubt, this department will ask the Better Business Bureau to shop for the item in question. Statements requiring correction are discussed with the responsible company or advertising agency. Classified advertisements are read by copy passers. New advertisers in certain classifications are asked to fill in questionnaires (financial, literary services, business opportunities).

Childs studied a large city paper other than *The New York Times,* a small city paper, and a small weekly paper. He found no set of rules or guides and no advertising acceptability department to enforce them. The sole judge of the suitability of advertising coming in was the advertising manager of each paper, the man charged with selling space. The advertising manager may be guided by bulletins of the American Newspaper Publishers Association or his state press association which issue warnings on the latest fraudulent schemes. He will contact his local Better Business Bureau regarding advertisements that arouse his suspicion.

For the most part, therefore, voluntary control, except for a few outstanding exceptions, is not effective in the newspaper field.

A. *Magazines*

A Copy Advisory Committee was established in 1938, supported by 21 leading magazine publishers. It adopted a code of principles which were vague.[54] This Committee accepts and investigates complaints about questionable copy from the members and makes recommendations to the responsible agency or advertiser. If the latter does not comply no punitive action is taken and the complaint is not publicized. Apparently, the only force is intramural persuasion. The number of cases handled during a year and the number of changes effectuated is unknown. It seems that most cases involved overcompetitive claims.[55]

The Agricultural Publishers Association has promulgated a code of fair play.[56] Unlike the Copy Advisory Committee, the Agricultural Publishers Association has no machinery to enforce this code. The latter is merely a guide for individual members in policing their columns.

In studying the policing activities of individual magazines, Childs selected an important "slick" publisher, the Curtis Publishing Company, and a large "pulp" publisher of a string of popular magazines. The

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[53] William F. Flanagan, Jr., *Advertising Control: A Study and Evaluation of the United States System* (Philadelphia: University of Pennsylvania, 1953), pp. 17-18.

[54] *Printers' Ink,* April 11, 1952, p. 54.

[55] Childs, *Self-Regulation in Advertising,* p. 25.

[56] Agricultural Publishers Association, "Advertising Acceptance Policy," 1955, n.p.

Curtis Publishing Company has a strict acceptance policy effective for all its magazines:

> 1. Our first consideration is the protection and welfare of our readers.
>
> 2. Our second consideration is so to conduct our advertising columns as to command the confidence of our readers and lead them to a greater dependence on the printed message.
>
> 3. Our third consideration is to protect our advertising clients—to discourage unfair competition—and to safeguard our publication against any advertising that might tend to injure our advertising columns in their general efficiency and standing.[57]

All copy received goes to the Copy Service Department where the advertiser's reputation and financial integrity, the merit of the product, and claims made in the copy are fully investigated. Objectionable advertisements are sent to the top management of Curtis. If sustained, they are passed back through the salesman to the advertiser or the agency with the request that they be altered. Although few advertisements are completely rejected, many are modified from time to time.[58]

The New Yorker is another example of conscientious self-policing of advertising columns. Philip Ewald, director of agency relations, revealed that *The New Yorker* turned down $500,000 worth of advertising in 1960. He said:

> It's a terribly tough thing to do, often also involves loss of future prospective millions; but in the courage to do this lies strength; every single ad must pass an acceptance committee: product or service, photography, copy approach, distribution (wide enough, right stores), and other reader-orientation must be 100 per cent in keeping with the editorial policy of the magazine. It must reflect the tenet Harold Ross laid down for it years ago —"*The New Yorker* must be like a good dinner party, striking no discordant notes."[59]

Few publishers have the moral fiber to turn down $500,000 a year in advertising revenue. *The New Yorker,* like the Curtis magazines, is probably the exception rather than the rule in periodical publishing. Both, however, are gratifying examples of what self-policing can accomplish.

The pulp magazines studied by Childs had no codes of practice and no copy service departments. There was an unwritten policy against accepting "lonely heart" advertisements, cures for alcoholism, or advertisements alluding to the human body in a sensual manner. Advertisements come into the Contract and Makeup Department. If one seems questionable, it goes to the advertising director who makes the final decision. The local Better Business Bureau is contacted occasionally to check a company. Between 21 and 61 advertisements per year were rejected; most of these were obviously in execrable taste. No checks on product claims or the standing of the advertiser were made on the other advertisements.[60]

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[57] "Policy and Practices in Acceptance of Advertising for Curtis Publications," (Philadelphia: Curtis Publishing Company, 1955), n.p.

[58] Childs, *Self-Regulation in Advertising,* p. 22.

[59] *Woman's Wear Daily,* June 14, 1961, n.p.

B, *The Broadcast Media*

Attempts at self-regulation in radio came relatively early, since the intimacy of radio (and later to an even greater degree of television) made it particularly subject to criticism.[61] As early as 1929 the National Association of Broadcasters had a code; one interesting provision was that no commercials were to be aired between 7:00 P.M. and 11:00 P.M.[62] A rather strict code was promulgated in 1937. This was revised again in 1952 to allow for the advent of television, but the new code embodied the provisions of the 1937 code.

At the outset the 1952 code denies being an involuntary censorship device:

> The code is voluntary. There is no police power, nor is that desirable, either by the government or by a private group, if such were possible. Any network or station in the United States may subscribe to the code and at a very nominal cost. The fact that a great majority of the stations and all of the television networks have become subscribers to the code in its short period of existence indicates its acceptance and general success."[63]

The code signer pledges to refuse advertisements for hard liquors, to accept beer and wine advertisements only when presented in the best of taste, and to regard exaggerated claims as unacceptable advertising.[64] The code also requires:

1. The advertising message should be presented with courtesy and good taste.
2. Advertisements should be confined within the framework of the sponsor's program structure and not be employed as cowcatchers.
3. Copy should contain no claims intended to disparage competition.[65]

A Television Seal of Good Practice was prescribed for members in good standing to display.

In late 1959 the Code was amended; provisions against rigged news shows, interviews, and contests, and the payment of "payola" to performers were added. Deceptive television commercials were also banned.

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[60] Childs, *Self-Regulation in Advertising*, p. 23.

[61] The same appeal that arouses no comment when seen in a newspaper or magazine advertisement will bring outcries from the public when put on radio or television. These media are more sensitive than the print media.

[62] Clair Wilcox, *Public Policies Toward Business* (Homewood: Richard D. Irwin, Inc., 1955), p. 672. Little attention was paid to this provision and it was replaced by maximum time limitations for commercials in the 1937 code. Not much attention was paid to this either.

[63] "First Report to the People of the United States," Television Code Review Board, NARTB, November 1953, p. 4.

[64] *Printers' Ink*, April 16, 1954, pp. 50-52.

[65] *Ibid.*

The great problem with all radio and television codes has been enforcement. The ban on cowcatchers and the limitation of air time devoted to commercials has always been violated with impunity. A station's right to display the Seal of Good Practice may be revoked by a two-thirds vote of the television board of directors.[66] The seal was taken from several television stations in 1959 and 1960 because they accepted commericals advertising a remedy for haemorrhoids. The Association does some monitoring of commercials; for example, it forced the advertiser of a personal deodorant to alter his commercials after thousands of letters had been received from irate viewers. In spite of these isolated instances, there is no effective enforcement mechanism for the Code. The threat of revocation of the Seal is not a powerful deterrent. Any effective self-policing efforts must come from the individual broadcasters themselves.

All three television networks and the four radio chains have strict individual codes. Since they all are similar, that of the National Broadcasting Company will be studied as the prototype. The original policies of NBC were stated in 1934 in a booklet entitled "Responsibility," which was sent to all advertising agencies and NBC advertisers for their guidance. The following categories of business are not accepted by the network:

1. Professional services: physicians, lawyers.
2. Stocks and bonds: all forms of speculative finance.
3. Fortune telling: astrology, phrenology.
4. Mortuaries: products associated with burial.
5. Firearms and fireworks.
6. Matrimonial agencies.
7. Racing organizations.

Personal products and medicinal products are watched with particular care. Such words as "safe," "harmless," or "without risk" are not acceptable in the commercial copy. Other matters are covered, such as non-acceptable trade name references, product or service claims, prices, surveys, and manner of presentation.

This comprehensive code, unlike the NAB code, is backed by an enforcement procedure. The program content, including all commercials, is cleared through the Continuity Acceptance Department. If the integrity of the advertiser is not known, the Better Business Bureau and other sources are consulted. If submitted copy violates the NAB or NBC codes, the Department contacts the responsible advertising agency. If the latter refuses to delete or modify as requested, higher echelons of NBC are notified. An attempt is made at these levels to negotiate the question. Continued recalcitrance of the agency or advertiser after such negotiation leads to cancellation of the time contract.

Networks are very sensitive to criticism from without. They carefully watch telegrams, mail, and telephone calls from listeners or viewers. If many objections to a commercial are received, the network takes immediate steps to revise the offending material. Networks are also sensitive to criticisms from the government, especially from the Federal Communications Commission. The latter handles complaints from Congress, other branches of the government, or the public, on an informal basis, quietly calling the attention of the station or network to the complaint.

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[66] "The Television Code," NARTB, March 1, 1952, p. 8.

Childs investigated self-regulation among local radio stations. Unlike the networks, there is very little enforcement of standards. No continuity acceptance department checks on commercials submitted by the local advertisers. Only the station advertising manager reviews and modifies or rejects offensive advertising copy, but his job depends on increasing advertising revenue. Moreover, Childs found little sensitivity to public opinion. One station had not dropped any commercials in ten years, even though the public had strongly criticized some of them; the station had no compunction about accepting commercials for burial lots, race tracks, and the like.[67]

In conclusion, good standards have been set up by the broadcast media. The networks seem to have control devices for screening the commercials, but current television commercials do not indicate that these are effective. Local stations practice little or no self-policing. Once again the major control problem is not at the national advertising level, but at the local level, where media are small and hungry for revenue, competition is keen, and small advertisers are less sensitive about social responsibilities.

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[67] Childs, *Self-Regulation in Advertising,* p. 33.

Chapter 22

Sources of Improved Standards

In preceding chapters we have studied the ethical problems raised by sales promotional activities in our society; we have looked into the formal and informal controls which have been instituted to cope with these problems. Now we can appraise the effectiveness of the various forces working to improve standards in the advertising, sales, and public relations fields.

As previously noted, mounting criticism no longer originates from communists, socialists, left wing liberals and professional do-gooders, but from business itself. C. B. Larrabee, publisher of *Printers' Ink,* challenged advertising to put its house in order before public clamor and indignation compelled it to do so. In his famous "Thunder on the Right" campaign he summarized the opinions of educators, labor leaders, government officials, authors, consumers and business executives. He warned that, when the friends of advertising, those inherently sympathetic to it, begin to criticise it, those in the field had better be wary.[1] Like Earl Kintner, former chairman of the Federal Trade Commission, Larrabee hoped that voluntary or self-policing action would make further incursions of the government unnecessary.

Appraisal of each type of institution capable of self-regulation will reveal how much chance there is for future self-regulation of the various promotional fields.

ADVERTISERS

There is much promise here, for poor standards of advertising and selling cannot exist if business executives who pay the bills insist on high standards of practice. Basic objectives of business have altered in the past few decades from short-run to long-run considerations; companies expect to be in business indefinitely.[2] Therefore most American businessmen are honest; they know that a good product honestly advertised and sold will survive much longer than a shoddy one sold by exaggeration and misrepresentation. They have learned that good business ethics pay off. Besides, they naturally like to have an operation in which they can take pride and that reflects well on their personal integrity.

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[1] *Printers' Ink,* March 7, 1952.

Certain difficulties are encountered in relegating self-control to the advertisers. First, since the seller is naturally prejudiced in favor of his product, he may make sincere, enthusiastic claims for it that are not borne out in fact. What appears to be mere "trade puffery" to the advertiser may be false and misleading to the public. Moreover good taste is a matter of opinion; an advertiser or seller may see nothing offensive in an illustration that is shocking to a person raised in a refined environment. How can such an advertiser be convinced to change his ways when, after all, there is no accounting for taste?

Another problem is that there seems to be a kind of Gresham's Law in the selling field. An industry may get itself into the parlous position where a few aggressive competitors of low moral standards lead the whole aggregation of firms down the road of ethical depreciation. Honest members of the industry feel that they must make equally doubtful claims so as not to lose business to the aggressive competitors. The motion picture producing companies found themselves in this situation many years ago when they depreciated the common semantic currency by flamboyant use of superlatives and lurid illustrations for their pictures. Honest companies felt they would lose customers unless they imitated the malefactors. Another example is the predicament cigarette manufacturers faced when the cancer scare occurred in the early 1950's. Nearly hysterical claims of less tar and nicotine and of superior filtration action of filters had them saying, in effect, "My cigarette won't kill you as fast as my competitors."

Another difficulty is the continued existence of "fast buck artists"—enterprisers who sell shoddy merchandise in the short run, never intending to stay in any one line of business longer than necessary to "clean up."[3] The authors believe that the percentage of these operators in the total business population has declined in the past few generations. However, there will always be such people; their lack of moral conscience necessitates much stronger measures to protect society from their depredations.

ADVERTISING AGENCIES

Advertising agencies should be in a good position to police advertising, since they make up a great deal of all advertising published or broadcast.

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[2] High tax rates on current income and relatively low capital gains tax rates may have fostered this attitude to some extent.

[3] A good example was the entry in 1962 of the "fast buck boys" into the fallout shelter business. Preying on public fears, they sold structures that, with a few exceptions, were quite useless for the purpose intended. See "Enter the Survival Merchants," *Consumer Reports,* **27**, No. 1, January 1962, 47-48.

As discussed in Chapter 21, associations of agencies have promulgated codes of ethics and attempted to enforce these by moral suasion. Although these efforts are admirable, certain difficulties are met.

First, since only six out of every ten dollars spent on advertising each year go through the hands of an advertising agency, a bare majority of advertising could be affected if agencies *did* devise a strict policing system. Second, agencies, like advertisers, are too close to the affairs of their clients to be objective. Thy do not realize that what seems to be "hard sell" to them is in reality false, misleading, or otherwise out of line. Third, the agency must please a client to hold an account for very long. If the agency cannot discourage a client from adopting a bad idea—such persuasion is exercised behind the advertising scenes—its only recourse is to resign the account. Then, competing agencies besiege the former client for the account. Competition among agencies is so keen that an unethical client can always find an agency of easy morals to do what he wants. There have been a number of cases in which agencies have chosen to resign accounts rather than violate the agency's ethical standards. Large, reputable agencies now investigate a prospective client as carefully as the latter checks up on the agency. The agency researches a company's credit standing, financial position, products, reputation in the business community, and the like, before bidding for an important account. There are some accounts of known unreliability that no good agency on Madison Avenue will deal with.

To summarize, more reputable advertising agencies are beginning to be more selective in the choice of clients, to use moral suasion to keep clients in line, and to resign accounts that transgress accepted ethical standards. However, an agency must still please clients to survive for long. In many ways an advertising agency is an agent of the advertiser, but it also has a duty to society. The authors feel that an agency that knowingly creates bad advertising is as guilty as the client for whom it is created. Apparently, the Federal Trade Commission is beginning to feel the same way. Agencies have been cited along with the advertisers in recent FTC complaints involving false or misleading advertising. There is no valid reason why agencies should be allowed to hide behind the allegation of agency relationship, for they profit with the client from the ill-gotten income. Holding agencies liable for illegal advertising also provides agencies with a defense when clients propose to transgress—"We can't run that ad. We will be in trouble with the FTC!"

TRADE ASSOCIATIONS

Childs found that few trade associations take responsibility for establishing codes of ethics, and even fewer attempt to enforce such codes. The few that do are helping to raise standards, but, quantitatively, they are but a small minority. Moreover a trade association can only exercise moral suasion; members will seldom sanction publicity or expulsion for offending members.

The best hope for improvement is in the trade practice conference, under the auspices of the FTC. The voluntary agreements embodied in Part II are useful for raising ethical standards, but enforcement is a real problem. The FTC, having limited resources, has been unable to follow up on compliance with past agreements. Specific complaints are investigated, but enforcement remains spotty. The authors favor FTC promotion of more agreements in industries not yet covered. The Commission should have more money and manpower to police not only past trade practice agreements, but also compliance with past cease and desist orders.

SALES AND ADVERTISING ASSOCIATIONS

There are many such associations; American Association of Advertising Agencies, Advertising Federation of America, Association of National Advertisers, and National Sales Managers Association are only a few. Most of these organizations sponsor codes of ethics, but none have effective means to enforce such standards. The members of these organizations, as those of trade associations, are unwilling to penalize fellow members, since they fear unfavorable publicity. Some may feel that "the pot can't call the kettle black." At any rate, such associations will only give lip service to ethical codes and make sporadic attempts at moral suasion in the most flagrant cases.

BETTER BUSINESS ASSOCIATIONS

These are doing a yeoman's job of policing selling and advertising at the local, community level. The most frequent and flagrant abuses are at the local level, since there is a preponderance of small business men who have little to lose and are often ignorant of canons of business conduct. The local level also has the "fast buck boys"—people who do not care about their reputations, since they do short-run business. Also, while the large national advertiser feels that he would be risking too much by being dishonest, the small local advertiser does not. Hence, the greatest self-policing must be done at the local level. In most communities, the local Better Business Bureau is doing its job with vigor and determination.

The major problem is the magnitude of the task of local policing compared with the meager means available. In a great metropolitan area there are literally tens of thousands of businesses; a local BBB cannot watch them all. It cannot read every advertisement or listen to every sales story. It barely keeps up with investigating complaints from members or from the public. Financing local Better Business Bureaus is also a serious problem. In 1956 *all* bureaus in the United States had revenues of only $3,250,000 from more than 70,000 members,[4] an average contribution of

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[4] Richard L. Childs, *Self-Regulation in Advertising* (Philadelphia: University of Pennsylvania, 1956), p. 57.

$46.53. The general manager of the Philadelphia Bureau stated that at least three times this amount was necessary to do an effective job of local self-policing.[5]

MEDIA

These firms are the logical organizations to do the policing, since nearly all advertising messages must pass through them to reach the public. Except for advertising in a few advertiser-controlled media—direct mail, point-of-purchase, packages, labels—bad advertising cannot get to the public if advertising media fail to carry it.

Although engaged in business for profit, the major media are quasi-public by nature. Magazines and newspapers enjoy the second class mailing privilege from the Post Office. In effect, they receive subsidies from the government, since the cost of the service has always been far greater than the revenue obtained from it.[6] Being a privilege rather than a right, it may be revoked by the Post Office for good cause. However, except for cases of outright fraud and obvious obscenity, the Post Office has not employed this great power. This power could be used effectively to penalize media that persist in running false, misleading, fraudulent, or bad taste advertising. The second class mailing privilege could be revoked, thus forcing the malefactors to pay first class and freeing the taxpayer from subsidizing such antisocial behavior with his tax dollars. Such a penalty would put many purveyors of filth out of business and give others the incentive to clean up their columns and advertisements.

Radio and television stations must have a license to operate on airways that by law belong to the people. The Federal Communications Act gives the Federal Communications Commission the power to fail to renew, or revoke, broadcasting licenses for good cause. Broadcasting in a manner against the public interest is good cause, and continued, flagrant violation of accepted ethics of society certainly should be against the public interest.[7] Mere revocation of the television seal of approval by the National Association of Broadcasters is not a sufficient deterrent. If the licenses of the worst offenders were revoked, the broadcasting industry would pay more attention to the codes and regulations of the FCC. Another distinct improvement would be to bring the networks under the licensing power of the FCC. At present these great media are all but uncontrolled by the FCC.

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[5] *Ibid.*, p. 54.

[6] This special rate was established to encourage the spread of useful knowledge and culture among the people of the United States.

[7] The Federal Communications Act has a section prohibiting the FCC from censoring program material or commercials ahead of time. The FCC has been reluctant to use its powers to revoke licenses lest it be accused of censorship. However, the power to revoke licenses is for *past* acts not in the public interest or welfare; therefore it cannot be construed as censorship. The Hill and Knowlton Survey of thought leaders in 1961 showed television was criticized more than any other medium. The FCC should begin to carry out the mandate of Congress clearly expressed in the Federal Communications Act.

As shown above, the media sometimes attempt to police their own advertising pages or broadcast commercials, in some cases with commendable efficiency. However, the Childs study showed that such cases are rare; most media do little to police the advertising they disseminate. The reasons for this are as follows:

(1) *Need of media for revenue.* In most fields, competition for the advertising dollar is keen. It is difficult for a small, struggling newspaper, magazine, or radio station to turn down a lucrative sale of space or time. Even large media, faced as they are by rising costs, find it easy to rationalize the acceptance of a doubtful advertisement—"Somebody else will take it if we don't."

(2) *Difficulty of defining and applying ethical standards.* It is relatively easy to construct codes. Many media have them—*The New York Times,* Curtis Publishing Company, National Association of Broadcasters, *Printers' Ink.* Yet it is difficult to apply them. An advertisement may *seem* truthful, but, in fact, be misleading. Obviously media cannot investigate every company or every claim for products made in its advertising columns. Poor taste, being an individual matter of definition, is almost impossible to deal with.

(3) *Fear of antitrust action.* Some media rationalize their lack of self-policing by claiming that they would be open to a charge of conspiracy to ruin another man's business if they rejected his advertisements. This is ridiculous, for courts have held that media have an unquestioned right to reject offensive or dishonest advertising. Although a medium cannot do so capriciously, nor conspire with a firm's competitors to do so, it certainly can turn down substandard material without fear of antitrust action.

(4) *Magnitude of the task.* This problem presents the greatest practical difficulty. In the course of a year a great medium gets thousands of advertisements or commercials to run. For example, *The Minneapolis Star and Tribune* receives more than 1,250,000 separate advertisements per year.[8] Even a small radio station airs 1,500 spot announcements per week, or 78,000 per year.[9] Top management of the media say that they are unable to assume the expense of additional manpower necessary to check products and claims adequately. A large magazine, which runs advertisements of well-known national advertisers, and fewer of these than the newspapers, radio, or television media, has a more reasonable policing task. Yet few magazine proprietors, especially among the "pulps," police their media.

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[8] Childs, *Self-Regulation in Advertising,* p. 34. About one million of these are want ads.

[9] *Ibid.,* p. 33.

ALTERNATIVES TO SELF-POLICING

More Government Control

The Kennedy Administration began a program in 1961 to intensify and broaden controls over advertising and selling. The budget and manpower of the Federal Trade Commission was increased; an announcement was made that efforts to fight false and misleading advertising would be redoubled.[10] The Federal Communications Commission was reorganized and strengthened. In the spring of 1961, that Commission ruled that hereafter it would stringently consider whether a station had operated in the public interest and welfare before renewing a license to broadcast. Among factors to be considered was how well tastes and interests of the people of the area covered by the station had been fulfilled, and whether the station continually violated good advertising practice.

It was also recommended that a Department of the Consumer be created, whose head would have cabinet rank. The Federal Trade Commission would be the logical nucleus around which to organize such a new department. Since its job would be to protect the consumer interest, supporters recommended that it have full power to regulate, supervise, and control advertising in all its phases. The plan was temporarily shelved in favor of a Consumers' Advisory Council created by the President in March 1962.

Taxation

It was proposed in the Joint Economic Report of 1951 to levy a tax on advertising as a means of combatting inflation. The proposal was defeated, but the fact that it was even proposed indicates hostility toward advertising in many influential quarters.

As an anti-inflation measure, the taxation of advertising would most likely have little effect in reducing the volume of expenditure and the physical volume of advertising. The demand for advertising is probably not very elastic. The over-all level of advertising expenditures is primarily dependent upon the state of the business cycle. Other factors have little influence, with the exception of wars. It is unlikely that a moderate increase in the price of using advertising media would have any observable effect on expenditures.[11] Therefore, any tax imposed to discourage the volume of expenditures would have to be very high to be effective. A moderate tax levied on the medium would simply be passed on to the advertiser in the form of higher rates, which the advertiser would willingly absorb.

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[10] "FTC Puts On Muscle," *Business Week*, August 26, 1961, pp. 45-46.

[11] This is substantiated by the fact that rapidly rising media rates in the 1950's, especially television rates, had no apparent effect on the physical volume of advertising space or time bought by advertisers. It rose year after year, regardless of the steep changes in media rates.

Several cities have attempted to tax local advertising. Baltimore, for example, in 1957 imposed a 4 per cent tax on local advertisers and a 2 per cent tax on gross receipts of local media.[12] The circuit court of Baltimore declared the taxes unconstitutional, since they violated the fundamental guarantees of freedom of the press. Judge Joseph L. Carter ruled that such a tax was discriminatory, for it did not apply to business generally, but to one type—advertising.[13] Similar proposals are likely to appear if the advertising and sales people continue to invite public criticism and resentment.

Limitation of Expense Allowable in the Tax Law

The Internal Revenue Service of the United States has always allowed enterprises to deduct advertising and selling expenses from taxable revenue if these expenses are part of "ordinary and necessary costs."[14] The IRS has never inquired whether an advertising or selling deduction was reasonable and necessary if spent to promote the sale of a good or service. The only exception thus far has been deductions for "lobbying, the promotion or defeat of legislation" and "exploitation of propaganda" for tax purposes. The Treasury does not consider such expenses "reasonable and necessary" business expenses, and therefore they are not deductible.[15] The courts have sustained the power of the Treasury to forbid such deductions. Sums paid by a corporation to a publicist to help secure the passage of certain legislation were disallowed in *Textile Mills Corporation* v. *Commissioner of Internal Revenue*.[16] More recently, on February 24, 1959, the Supreme Court of the United States sustained the right of the Treasury to disallow advertising expenditures by liquor dealers to defeat two proposed state laws—one to create a state liquor monopoly, the other to institute prohibition.[17] The Treasury also disallowed advertising expenditures by privately owned electric companies to campaign against further extension of public ownership of electric power in this country. Here, only the right to use advertising to influence public opinion on an economic question was involved. At present writing, the electric utility case is being appealed.

The Cammarano and Strauss cases and the Treasury decision regarding the electric power companies have tended to prejudice all advertising except straight product promotion, since all public issue or institutional advertising states a case for or against something which is likely to be a matter of possible legislative action somewhere or sometime.

These dangers could be even more threatening if the Treasury were to investigate the "reasonableness" of a firm's advertising or selling expenditures. This would be possible if suitable industrywide yardsticks of operating ratios (such as ratio of advertising expenses to total revenues, or to total expenses) were employed.[18] Certain state public utility commissions have done so and have disallowed proposed promotional expenditures in a rate base. It could just as readily be extended to tax deductions.

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[12] *Advertising Age*, November 18, 1957, p. 1.

[13] *Advertising Age*, November 18, 1957, p. 1.

[14] Sec. 23 of the Internal Revenue Code, 1939; Treas. Reg. 111.

[15] Treas. Reg. 111. Such regulations have been in the Internal Revenue Code continuously since 1918.

[16] 314 U.S. 326.

[17] *Cammarano* v. *U.S.; F. Strauss & Son* v. *Commissioner of Internal Revenue*.

Such controls are weak. The Treasury does not say, "You may not advertise," but if a firm does so in an unreasonable or unnecessary way, the money comes out of the owner's or stockholders' pockets. As a means of control, this method seems unfair, discriminatory, and even dangerous, since it subjects promotional expenditures to arbitrary, bureaucratic inquisition. These profits are already highly taxed by the government. Also, it seems unconstitutional to deny the right of free speech to a corporate entity, or more realistically, to deny the right of the group composing that entity to speak up in their own behalf.

Further bureaucratic interference is in store if advertising and selling continue to incur ill will. The power to tax is the power to destroy. If not destroyed, the fields could be greatly handicapped by direct taxation or indirectly through tax regulations.

Another major problem is the inability of a company to put away reserves for advertising. The IRS will not allow a firm to deduct contributions to such a reserve from current income. In effect a company must spend money for advertising when it has it, but not otherwise. Since advertising is usually a long-range investment, such a limitation is equivalent to stipulating that a machine with a life of five or ten years must be charged off when acquired. This regulation inevitably causes leads and lags in advertising expenditure patterns; firms will overspend in good times and underspend in bad times. Thus consumption will be stimulated during inflationary periods, but not during a depression. Advertising could be a powerful contracyclical device if this IRS regulation were changed.[19]

The only measure needed would be to allow companies to set up a reserve for advertising. To be contracyclical, i.e., fight inflation and help reflate the economy in a depression, the reserve should be funded, or removed from the company treasury and put into government bonds or some other suitable asset. Company expenditures would be reduced during an inflationary period, and advertising pressure on the consumer to spend would be decreased. When a depression occurred, the reserve would provide ready funds for advertising, thereby increasing company expenditures and helping to persuade consumers to spend again. Needless to say, such a change in our tax laws is desirable.

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[18] For examples see William T. Kelley, "Sales Promotion Yardsticks for Electric and Gas Utilities," *Public Utilities Fortnightly,* **65**, No. 6, March 17, 1960, 382-95.

[19] For a somewhat speculative discussion of this as it relates to inflation, see Edward L. Brink, "Inflation in the United States of America," *The Struggle Against Inflation* (London: Institute of Bankers, 1958), p. 51.

Censorship

Some countries have advanced advertising censorship. For instance, in the Philippine Commonwealth, a law was passed providing for a Board of Advertising Censors. All advertisements must be cleared before publication with this Board. There is little danger that over-all censorship will be instituted in this country. The American tradition of free speech and press and a provision of the United States Constitution would inhibit such an occurrence. Also, the size of the bureaucracy required to police all advertising material would be staggering. The delays incurred would negate much of the timeliness of promotional messages. Censorship is possible for a smaller country than the United States and could be set up on a city or statewide basis if the law doing so could circumvent the Constitution.

What should concern the thinking American is the possibility of piecemeal erosion of our freedom to persuade. Enemies of promotion can chip away at specific industries or areas of business. As shown in Chapter 20, there are already such areas where controls are stringent—alcoholic beverages, malt beverages, securities. In every session of Congress, bills are put in the hopper which would spread controls into still other areas.[20] Unless promotion is cleaned up, there will be more attacks and determined attempts to further censor and control the fields, either by erosion or a broad frontal campaign. There is no reason why the vast majority of honest advertisers and sellers should suffer for the sins of the criminal few. As Max A. Geller says:

> We all have had to adjust our habits, thoughts, and methods to the requirements of the age in which we are living. Advertising, too, must adjust itself to the tempo of the era. It is by now too fine a profession and too great an economic force in our existence to permit the disreputable few to bring discredit on all. The voluntary cooperation in this direction of the advertiser, the agency, and above all, the media will in the long run help advertising to prosper and grow; it will likewise obviate the necessity for any stringent or drastic federal regulations.[21]

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[20] In 1962, for instance, the drug industry came under severe attack, and all kinds of proposals to censor or otherwise control advertising and selling in that field were heard.

[21] *Adverstising at the Crossroads* (New York: The Ronald Press Company, 1952), p. 277.

Chapter 23

The Institutions of Promotion

It finally remains to describe to some extent the nature of the organizations that will carry out these promotional tasks—advertising, sales, public relations. Basically, these departments *are* organizations and therefore have the basic nature of any organization.

IMPORTANCE OF ORGANIZATION

Organization has been defined as a group of individuals cooperating willingly and effectively to a common end.[1] It involves the grouping together of functions that are related to one another, the assignment of responsibilities for overseeing those functions, and the allocation of sufficient manpower and facilities to carry out the functions. To this end, the sales manager is expected to organize his department as a team. The team is given certain goals, and the sales manager must be a good coach. Like any coach, he deals mainly with two problems—morale and organization structure. These two aspects of the job are quite different, and each must be handled skillfully.

Morale is the spirit that pervades an organization. "It is the result of a mental condition of organization that induces individuals and groups of individuals to subordinate, willingly but temporarily, their individual purposes to the common end, to submit cheerfully to reasonable discipline, to cooperate willingly with their associates, to give their best efforts without the exercise of executive pressure."[2] Morale and structure are related; if the sales department is well organized, morale will be heightened, for the men know their duties and their relationships to others on the team.

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[1] Ralph C. Davis, *Industrial Organization and Management* (New York: Harper & Row, Publishers, 1939), p. 21.

[2] *Ibid.*, p. 101.

The work load is equitably divided. Good morale also comes from inspired leadership and an understanding of human relations.

Organization structure is the network of relationships between functions, groups of individuals, and physical factors that unites the various units of executive control into an effective whole. Whereas morale building deals with human motivation, organization structure is somewhat mechanical.

Andrew Carnegie once said: "Take away all our factories, our trades, our avenues of transportation, our money, but leave me our organization, and in four years I will have reestablished myself."[3] The importance of good organization cannot be overemphasized, and it is as significant today as it was a century ago.

Poor organization may be compared to a latent disease, which gradually saps the vitality of the company, often without the company officials being aware of what is wrong. Internal conflicts, tensions, and insecurities result in human energy being turned inward and wasted rather than being turned outward in attacking company problems. Poor organization often results in overtime work simply because top executives are so busy with day-to-day operations they do not take the time to sit back and appraise the organization structure. Strong subordinates may build little empires, and any attempt to interfere may develop into unpleasantness, so that the executive may decide to "let sleeping dogs lie." This situation should not be allowed to prevail. At periodic intervals, the top executive should take time out to survey the organization structure and revamp it along better lines. It is the objective of this chapter to show how this is done, how organizational analysis is carried out based upon accepted principles of organization and control. Finally, an evaluation is made of the major ways in which promotion departments tend to be organized in practice.

HOW TO ORGANIZE

Allocate Functions and Responsibilities

Most firms are organized along functional lines. Major categories of functions are allocated to major departments—production, purchasing, finance accounting, sales, and so forth.[4] Every function must be placed in the appropriate department. Then an organization chart is drawn up, showing relationships among the various departments. It is sound procedure to prepare a job description for each department head, so that misunderstanding will not arise regarding the authority and responsibility of each executive. A specimen job description is provided in

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[3] Cited in Herman C. Nolen and Harold H. Maynard, *Sales Management* (New York: The Ronald Press Company, 1940), p. 14.

[4] There is an increasing tendency today to place all of the marketing functions under a single department usually headed by a marketing manager or vice-president for marketing. This trend is consonant with the views set forth in this book—the coordination of advertising, selling, and public relations as they relate to the total marketing effort and then the relationship of marketing to the other company functions.

PRO FORMA JOB DESCRIPTION
PROMOTION MANAGER

Place in the Organization:

Reports to: General Manager

Has reporting to him: Regional Sales Managers, Sales and Service Personnel at the Home Office, Market Research and Advertising Staff.

Basic Function:

Responsible for developing and directing a sales program, maintaining a sales organization, and coordinating the over-all marketing activities of the company to attain the volume and profit objectives set by top management and approved by the General Manager.

Specific Responsibilities:

1. Long Range Planning:

Participates, in conference with the Marketing Manager and other top executives, in the formulation of long-range objectives in regard to such matters as area of operations, desired share of the market, and extent of product line.

2. Sales Program Development:

Assists in the development of recommendations for product line changes, particularly from the standpoint of their effect on sales volume, sales workload, field selling expense, and trade relations.

Initiates and develops the distribution policies to be followed, especially in regard to the number and quality of distributors utilized.

Assists in the development of price policy change recommendations, particularly concerning their effect on sales volume and customer and trade relations.

Directs, in cooperation with the company's advertising agency, the development and distribution of advertising and publicity programs.

Consults with market research specialists used by the company to assist in formulation of research objectives and interpretation of results.

Establishes regional sales quotas in conjunction with research assistance.

Develops and submits to Production Department, after approval by and through the General Manager, a sales forecast as a basis for inventory control and production planning.

Directs the development of and approves the Department budget, which should be submitted to the Controller at least 30 days prior to the commencement of each new fiscal year.

Figure 23.1. *A specimen job description for Promotion Manager.* (Adapted from *Sales Management,* November 20, 1953, p. 25 [by Jack A. Wichert].)

Figure 23.1. Note that the place of the promotion manager in the organization is described, his basic functions detailed, and the specific responsibilities spelled out. Many of the functions will, of course, be delegated to the sales manager, the advertising manager, and other subordinates. Therefore, the promotion manager working with the job description must lay out his organization to place responsibility for specific functions on each of his assistants. Again, related functions are grouped into jobs. The

3. Organization and Staffing:

Develops and recommends the plan of sales organization required to carry out the responsibilities assigned to the Department.

Develops and recommends the basic policies to be followed with respect to sales territories; department facilities; the recruiting, selection training and compensation of sales people.

Recommends to the General Manager the hiring or dismissal of Regional Sales Managers.

Approves the hiring or dismissal of sales representatives, as recommended by the Regional Sales Managers.

4. Sales Program Execution:

Directs, through the Regional Sales Managers, the activities of all personnel engaged in sales work.

Makes periodic trips into the field to learn at first hand conditions peculiar to specific territories.

Personally contacts key accounts and prospects.

Supervises the preparation of all sales statistics.

Reviews all customer service activities, including those administered by other company departments, to make certain that customer and trade good will are maintained.

5. General Administration:

Analyses the results achieved by each subordinate executive and initiates action as required to secure improvement in performance.

Directs training and development activities for all Sales Department personnel toward the achievement of maximum personal effectiveness by every member of the Department.

Works with key subordinates to provide on-the-job training.

Issues all company-wide sales bulletins. Reviews all changes in salesmen's compensation made by Regional Sales Managers.

Reviews and approves the expense accounts of the Regional Sales Managers.

Makes changes in the compensation of Regional Sales Managers and members of the home office sales staff within approved limits.

Approves all purchase requisitions originating in the Sales Department if more than $200. If more than $1,000, these must be forwarded to Marketing Manager.

Figure 23.1. (*Cont.*)

relationship among the various jobs is worked out by means of organization charts and job descriptions.

2. *Be Sure That Authority is Delegated*

Nothing is more destructive to morale than the delegation of responsibility without the appropriate authority. When a man is given a job to do, he should be given the authority to do it, and to order others to perform in the chain of command. This brings us to a discussion of the three types of authority.

Line Authority. This is similar to the chain of command in the army. Authority and responsibility flow down from the top to the bottom. A superior tells his subordinate, "Do this." Every company must have line officers—executives who activate others, tell them to carry out specific orders. For example, the line of command may flow from the president of the company, through the general manager, to the sales manager, thence to the supervisors and foremen, and finally to the salesmen.

An important principle of line authority is that every person answers to only one person above him in the chain of command. He also has a clear mandate to supervise specified persons below him. Violation of this principle results in poor organization. No man can serve two masters. Confusion and working at cross purposes result from divided authority.

Some few larger companies have separated policy making from line decision-making. Thinking ahead, planning, and policy formulation are centered in a group of top executives. Essentially, they formulate rules by which standard solutions are prescribed for given sets of conditions. They say, "When you are faced with this set of circumstances, you must take the following action." Staff work in the armed services consists of making alternative sets of plans: "If the enemy does this, follow plan XYZ." One of the best general statements regarding these rules or policies was made by Prof. Reavis Cox. He has been quoted as saying "a policy is a standing answer to a recurring problem." This is the essence of efficiency and the "nut" of managerial thinking. Find the recurring problems, prescribe the courses of action, delegate the responsibility and authority to carry these policies out. Simple—yet in many large organizations there may continually be alternative courses of action prescribed.

Most companies, however, do not separate the line and functional activities; they are combined in their major executives. For example, the sales manager not only gives direct orders to guide his men into the proper adjustment to situations arising, he also determines appropriate policy. This saves time and effort. Where a situation is constantly recurring, he lays down a plan of action: Any manager over a period of time thus accumulates a large number of policies which subordinates can follow without reference to the manager. His task then is to follow up to see that the policies are complied with.

Functional Authority. Functional authority may be exercised by the line officers, or it may reside in committees. For example, the executive committee, comprising the president and all the vice-presidents or department heads, usually initiates all major policies for the firm. These are subject to ratification or rejection by the board of directors. In other cases, the sales manager may constitute a committee made up of himself, his assistants, branch managers, or supervisors, to formulate all functional decisions.

Staff Authority. This is not too different from functional authority. The main distinction is that staff officers never have any line authority. They are engaged solely in planning and policy formulation. Essentially, a staff executive says, "If you do this, I *suggest* that you do it this way." He does not say, "You *must* do it this way." It is left to the line authority to decide whether the policy recommended is a good one. If not, he need not adopt it. If so, he communicates the policy to his subordinates.

In certain large companies, a separate planning and problem-solving staff has been created. For example, the Du Pont Company has a group of vice-presidents who have no specific functions or responsibilities. They have had specialized experience in their respective fields—engineering, research, finance, production, and so on—and have come up from line-functional positions. They meet together to do long-range planning for the company and are also available for consultation with operating executives. As an instance, let us assume that the chief engineer has a problem that has been baffling him. He may consult the vice-president, who was formerly in engineering (perhaps as chief engineer). The latter studies the problem and tells the chief engineer what *he* would do. The chief engineer does not have to follow this advice, but it helps him to clarify his thinking, and often the solution postulated by the staff man is just what was needed. Therefore it will be followed voluntarily.

There are few or no examples of a *small* company with purely a staff group. This is understandable, as it is very expensive to keep able men just to think, plan, and solve given problems, without responsibility for executing plans. But for a very large company this might pay dividends. It is a good way to use company "elder statesmen" who are too old for the rough and tumble of administration, yet possessed of years of experience and capable of excellent judgment. Many firms, including advertising agencies, use this device to begin the "phasing out" of retiring executives and at the same time relieve them of live responsibility and make them available for consultation and committee deliberation.

3. *Assure Stability, Flexibility, and Growth*

Stability means that the organization has not only filled all positions, but has provided for future changes in personnel. This means that each executive, down to the "supervisor" level, has an understudy whom he is training eventually to take his job. It is the mark of a poor executive not to provide for his own successor. Sears, Roebuck and Company has adopted the policy that a man is not ready for promotion until he has trained an assistant to take his place—tomorrow, if necessary. An executive may like to feel that he is the "indispensable man" and that no one could take his place; he may resent the implication that someone should be trained to understudy him. Where this attitude is detected, it should be corrected at once by top management. Many firms have suffered because the key executive refused to admit that somebody else could learn his job. This is particularly true in the dynamic and changing areas of marketing and promotion.

Sears, Roebuck and other progressive companies have "back-up" organization charts. Through an extensive executive rating system, they know who is promotable and who is not. Those promotable are constantly studying the job ahead of them. The executive in that job is expected to teach the understudy all he knows about it, and to give him as much responsibility as possible. The back-up charts show exactly who would step into whose job if someone suddenly died or became incapacitated.

Flexibility and growth are assured by planning the organization so that it will be adaptable to varying volumes of business without loss of efficiency. Peak load and slack periods can be taken in stride. Growth can be absorbed because younger men coming along have been trained broadly. They afford a reservoir of talent to draw against if sudden expansion is required.

4.

Organization Balance

Each department or section must be given its proper place in proportion to its relative importance in the organization. No department should be overexpanded or neglected. For example, there has been a tendency in some sales departments to undervalue sales planning and sales research. To this end, the promotional task, also, is underrated.

5.

Do Not Violate the Span of Executive Control

The span of executive control refers to the number of subordinates an executive should have reporting to him. There is no precise answer to this problem, but the principles governing its solution in a specific situation are clear.

Psychologists tell us that the number of separate items to which the human brain can pay attention at the same time—the "span of attention"—is limited to three or four words or five or six numbers at once. This principle means that an executive cannot follow a large number of "stories" at the same time. Each subordinate constitutes a distinct "story" in himself. When the stories are complicated—when there are involved cross-relationships—a good executive cannot follow more than six effectively. When the stories are simple and the problems are quite similar, a supervisor can follow 10, 15, or even 20 persons' work. Such a situation is encountered in highly routine selling situations, such as route management. There, firm policies and procedures can be laid down, and followed, for the most part, without reference to higher authority. The same *kinds* of problems are met day after day. The supervisor merely has to take care of the exceptions, the peculiar situations not commonly met, or newly developed condtions that require new policy formulation. But as one goes up the ladder from supervisor to branch manager to sales manager to general manager and, finally, to president, problems become more complex, cross-relationships more ramified, policy implications more important. Therefore, any sound organization structure reduces the number of subordinates reporting as one goes up the line.

Violation of this rule of span of control results in dire consequences: when top executives attempt to follow too many stories and direct too many people, they lose a grasp of what is going on. Since they do not have an accurate understanding of situations, they make wrong decisions. This leads to confusion and frustration below, and a consequent decrease in efficiency. Moreover, executives who are too burdened by detail do not have time for advance planning. Thus, an understanding of span of control is at the heart of sound organizational structures.

This principle may also be applied to the problem of a good division between line and functional control. A purely line executive can handle many more subordinates than can one also expected to do planning and to formulate policy. In large organizations, the functional men, as noted above, tend not to have line responsibilities at all. In every case, careful study must be made to determine how much an executive can be expected to do, given the combination of duties. It is false economy to overburden him. Few men operate at top efficiency when they are worried by burdens they should not have been expected to assume in the first place.

6. *Re-appraise the Efficiency of the Organization Periodically*

Even though well conceived, no structure is good indefinitely. Conditions change, and the organization structure should be changed with them. Feed-back is necessary. Therefore it is a good practice to re-examine the structure periodically—perhaps once a year. Changes are often subtle; they occur so gradually they are scarcely perceived. But when one small change is piled on another, inefficiency creeps in. Unless adjusted to the new conditions, the old structure becomes more and more outmoded.

There is a case of a particular firm that grew very rapidly. It had an organization structure formed by the first president when the company was small. It eventually became a gigantic organization, yet each succeeding president insisted on keeping the old organization chart. More and more departments were added, each department head answering directly to the chief executive. The resulting violation of span of control meant that the president had to follow too many complicated stories, and the complex relationships got beyond him. Policies became rigid; the firm failed to progress with the times. The outmoded system killed two presidents in succession. Finally, the fourth president completely revamped the structure, decentralizing and interposing levels of authority as appropriate. With time for planning, the executives have once again put the company in the forefront of progressive development. The present president is in excellent health.

7, *Comparison of Simple Line and Decentralized (Functional and Staff) Organization*

The line type of organization is well adapted to the small firm. As the firm grows, there should gradually be a shift to the functional type of organization. This process is described in the following point-by-point analysis.

(1) The line type of organization is simple; responsibility can be placed easily.

(2) Overhead expense is kept down; each executive can carry his share of supervisory duties.

(3) Speed and decisive action in handling problems are secured.

(4) Discipline is easily maintained; precise control is obtained.

(5) As the organization grows, the line structure becomes increasingly cumbersome.

(6) The chain of command lengthens; layers of authority are created so that decisions are made slowly and communicated imperfectly.

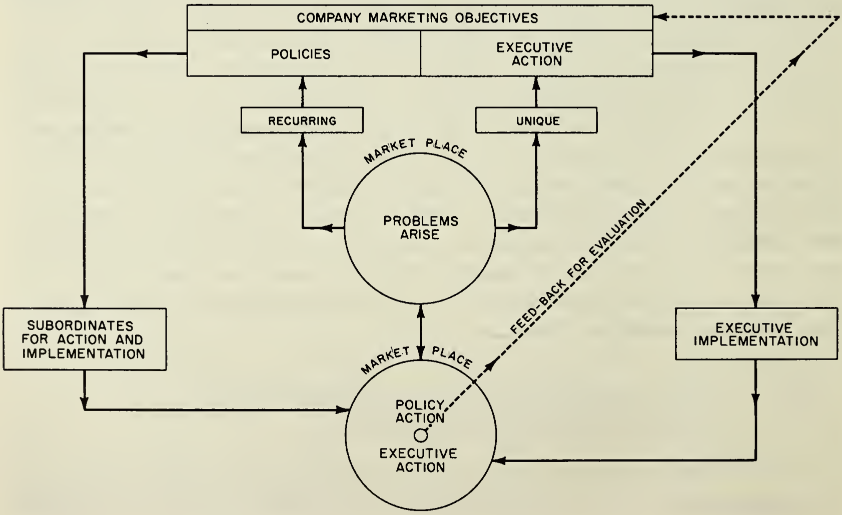
(7) "Buck passing" increases as executives at different levels deny their responsibility when things go wrong. Therefore it becomes increasingly difficult to fix responsibility.

(8) The larger organization requires more technical knowledge and abilities. These, added to line duties, overburden the executive and eventually cause loss of efficiency.

(9) Excessive centralization prevents the assignment of responsibility to younger executives; the company comes to suffer from a lack of well-trained minor executives.

(10) A good functional organization tends to develop a spirit of teamwork better than does a line organization. Better morale results. Freer

Figure 23.2. *Organization of the decision process.*


COMPANY MARKETING OBJECTIVES
POLICIES
EXECUTIVE ACTION
RECURRING
UNIQUE
MARKET PLACE
PROBLEMS ARISE
SUBORDINATES FOR ACTION AND IMPLEMENTATION
EXECUTIVE IMPLEMENTATION
FEED-BACK FOR EVALUATION
MARKET PLACE
POLICY ACTION
OR
EXECUTIVE ACTION

interchange of information develops better ideas and more creativity in the firm.

For all of its weaknesses, the functional type of organization seems the best to carry out the promotion function in a very large company. This, incidentally, is probably one of the major limiting factors to a great corporate size. The sheer cumbersomeness of the large firm gives the small competitor the great advantage of marketing flexibility, which enables it to adjust to new market conditions much more readily. Indeed, this flexibility is one of the major assets of the small company. It can bring out a new type of product or try a new technique while its large competitor is still involved in making decisions.

At this point it might be well to recap some of the principles of organization that have been discussed. Figure 23.2 presents a schematic view of the decision process and the organization for it. Every company has certain stated or implied objectives and sooner or later these objectives become barraged with problems, arising in the marketplace and requiring decisions. The decisions may be relegated to policy and its channel of implementation or, because of their unique nature, they may become the object of excutive action. No matter which course they follow, these problems result in decisions which in turn result in actions in the marketplace. What has been the effect of these actions in the marketplaces with respect to the attainment of company objectives? This is the function of the "feed-back/evaluation" link. So there is a constant and never-ending system of adjustment. The way in which it is accomplished varies, depending upon the type of organization.

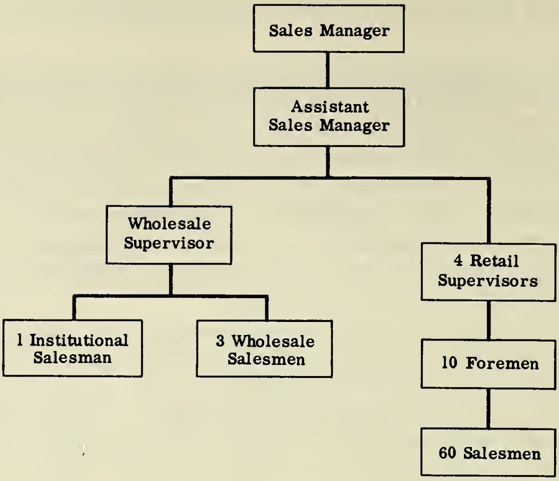
SPECIMEN ORGANIZATION SCHEMES

Since organization should depend on size of company, number of kinds of products carried, area covered, and dollar volume of business done, we will approach the problem through a classification of companies by size.

The organization charts shown for each category are drawn from specific plans of organization within one industry. These charts do not represent the *only* way of organizing. Each company will modify its structure to adapt to market peculiarities. But these examples may be useful to illustrate the structures of successful concerns of different sizes. They also illustrate how the simple line type modifies into functional or decentralized types as size increases.

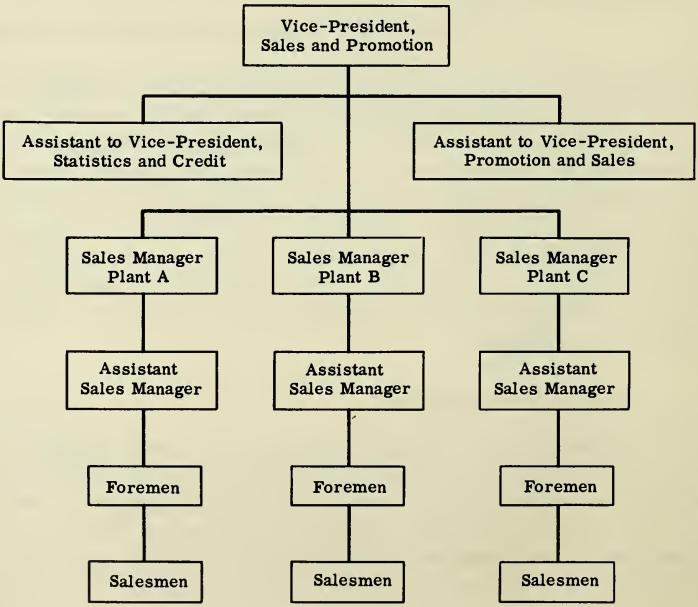
A. The Small Company

In many of the smallest companies there will not be an assistant sales manager; the senior supervisor will take over the sales manager's duties when the sales manager is away. Each retail supervisor will have from ten to twenty areas under him, with an average of fifteen or sixteen per supervisor. The foreman will oversee three to ten areas, but it is recommended that no more than six or eight be assigned.


Sales Manager
Assistant Sales Manager
Wholesale Supervisor
4 Retail Supervisors
1 Institutional Salesman
3 Wholesale Salesmen
10 Foremen
60 Salesmen

B. The Medium-Sized Company

The company has become large enough to have several different plants located strategically over a large area. Actual supervision is centered in each plant, with a sales manager in charge. Geographical responsibility is carefully demarcated between the respective plants so


Vice-President, Sales and Promotion
Assistant to Vice-President, Statistics and Credit
Assistant to Vice-President, Promotion and Sales
Sales Manager Plant A
Sales Manager Plant B
Sales Manager Plant C
Assistant Sales Manager
Assistant Sales Manager
Assistant Sales Manager
Foremen
Foremen
Foremen
Salesmen
Salesmen
Salesmen

that no overlapping occurs. Note that there are no supervisors in this specific case.

An interesting thing about this plan is the presence of two functional executives, the assistants to the vice-president. The first assistant is in charge of sales statistics and credit. He analyses the sales records of each plant, the accounting records, and the like. Then he compiles operating statistics for the sales managers and the sales vice-president. He also watches credit matters very closely, informing the vice-president of factors affecting credit. He keeps tabs on local market conditions, supply, demand, competition, and other factors, and puts together the sales forecast for the next year.

The second assistant is in charge of promotional planning. He handles the advertising, working with the agency on this phase of his duties. He procures point-of-sale materials, orders calendars and other promotional materials, and plans special sales campaigns and sales contests for the men. He is also in charge of sales training and conducts the school for new men. When the vice-president is away he assumes his duties. Therefore, on occasion, he has line responsibilities as well. This position is the training ground for developing talent to succeed the vice-president.

Note that in this case there are no separate sections for wholesale routes. The branch sales managers handle these through the foremen, just as the retail routes are handled. Some concerns with a great deal of wholesale and institutional business will want to fix this responsibility more closely. This may be done by creating two assistant sales managers for each plant sales manager, one for retail and the other for wholesale.

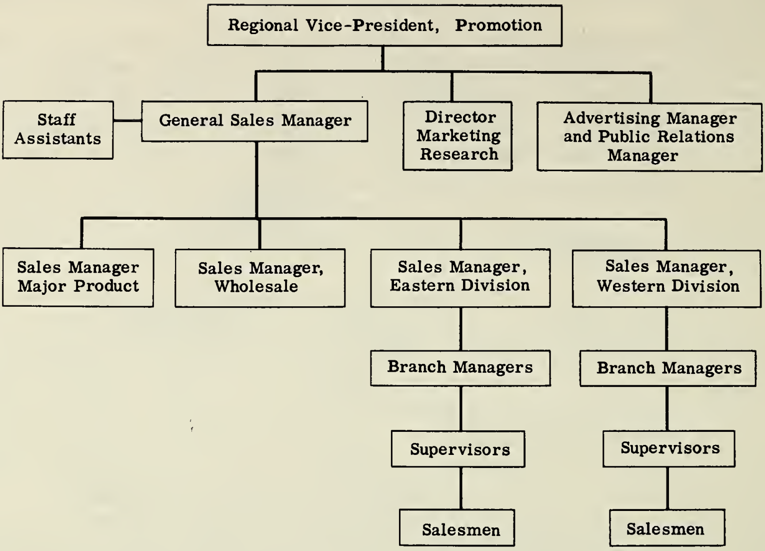
Although not shown on the chart, each plant also has a shipping department under a shipping manager. The latter oversees warehousing, checking, loading out, and checking returns for each plant. The shipping manager answers to the sales manager.

C. The Large Company

The next chart necessarily represents a very simplified version of a complicated set-up, but it shows the general philosophy of such an organization.

Working from the top of the chart, we see that the regional vice-president is head of the region. He is over all of the department heads, including the general sales manager. Advertising and public relations have been split off from the sales manager's responsibility. He may be a member of the advertising committee, and he coordinates his work with that of the advertising department, but has little more to do with it.

As a matter of organizational responsibility it might be well to note that the director of marketing research could well be in a staff position to the regional vice-president. The philosophy and the pros and cons surrounding this are complex. Texts dealing with marketing research, sales management, and marketing management should be consulted for a complete discussion.


Regional Vice-President, Promotion
Staff Assistants
General Sales Manager
Director Marketing Research
Advertising Manager and Public Relations Manager
Sales Manager Major Product
Sales Manager, Wholesale
Sales Manager, Eastern Division
Sales Manager, Western Division
Branch Managers
Branch Managers
Supervisors
Supervisors
Salesmen
Salesmen

Both functional and geographical specialization are obtained in this scheme. Major product and wholesale sales each have a separate sales manager. The total area served is split into eastern and western divisions, each under a sales manager. Under each sales manager are a number of branches. The smallest branch has one supervisor and eight salesmen; the largest has two assistant branch sales managers, twelve supervisors, and 192 salesmen. A branch is roughly a market area; most branches have a processing plant, but some do not, being serviced from the nearest plant.

Note that there are no foremen. In some areas, companies have eliminated that supervisory level. They prefer to put 12 to 20 areas under one supervisor and give him the full-time job of overseeing them.

The integration of the wholesale sales manager in this example is interesting. He has his own supervisors and salesmen, and his own delivery equipment, but he uses the storage and load-out facilities of the various branches. However, he is not responsible in any way to the division or branch sales managers. Any problems go to the general sales manager for disposition.

The general sales manager has several staff assistants. One is in charge of promotional planning—he plans special sales events, contests, and the like. Another is a sales promotion manager who coordinates with the advertising department on creating promotional materials. A third is credit supervisor, and a fourth is the sales analyst. The latter collects data from the accounting and market research departments to keep the general sales manager up to date on the latest sales trends.

The marketing research department, found in the largest concerns, is sometimes responsible to the vice-president or the general sales manager.

This is sensible since much of its work is in appraising the sales opportunity, laying out market areas, and keeping track of competitive trends. However, when not a part of the sales department, market research still works closely with the sales people, since the sales manager must often guide the research director in planning the kind of investigations useful to the company. The sales manager, in turn, probably profits most by the results of the market research activity.

Shipping departments, of course, are attached to the branches. Solicitors work out of division headquarters and are responsible to the divisional sales manager. Where training directors are used, they are usually attached to branch headquarters. However, a few of the largest concerns have training specialists at national headquarters. Serving in a staff capacity, they are responsible for formulating training policies and programs and for guidance of the trainers in the field.

At the national headquarters there also would be the vice-president in charge of sales, and the national advertising vice-president. These two executives lay down broad policy for the regional executives. In addition, the national advertising vice-president conducts advertising campaigns of general scope to promote the company brand. Each geographical division is assessed a specific sum as its contribution to the national campaign. Usually, the local advertising manager has his own budget. He has little interference from headquarters unless general company policy is violated.

THE ADVERTISING DEPARTMENT

Status of the Advertising Manager

Early advertising managers often were not very well qualified. The advertising function came into being more as a chance occurrence than as a planned activity. It was not until the turn of this century that firms began to recognize the power and potential of advertising, particularly that directed to the consuming public. As American companies began to recognize what advertising could do for them in way of increased sales, they often assigned this function to the sales department. The old-time sales manager, imbued with the philosophy and techniques of personal selling, often did not understand the techniques peculiar to advertising. Moreover, he was sometimes antagonistic toward it. Accordingly, the function tended to be neglected. In some cases, members of top management were enthusiastic over the sales-making power of advertising, and themselves undertook its direction. In these cases, they were assisted by technicians and detail men, who had little knowledge or capacity for creative work.

When the sales manager reluctantly took over the advertising, there was a tendency to assign the most unpromising members of the sales department to it rather than the better men, who were deemed more effective in personal sales. Hence, the typical advertising manager probably had had some experience in selling, and a little work in sales administration. Seldom had he worked in an advertising agency or other job which might afford him a sound basis of knowledge of advertising. These early advertising men had to get their experience "the hard way" by trial and error. Some became very effective and efficient advertising managers. But many tended to settle down into the status of semi-trained technicians with little or no creative ability and absolutely no status or power in the top management. Salaries were concomitant; as late as the middle 1930's it was a rare advertising manager who earned more than $5,000 per annum, even in the larger manufacturing firms, and the average was probably nearer to $3,600.

As late as 20 years ago, few advertising managers were admitted into the ranks of top management. In companies started before World War I, top officials were drawn mainly from manufacturing, and occasionally from sales. Later came officers with backgrounds in accounting, law, or finance. In the 1930's, research and development came into their own, and officers from these fields began to assume top positions. The potentialities of the advertising manager began to be recognized only in the post-World War II period. The status of the position has advanced steadily as companies' advertising budgets have increased to seven- or eight-figure amounts. No longer can the advertising manager grow with the position and learn by trial and error. The consequences of errors are too great. Moreover, by natural evolution, the job itself has expanded; during the War governmental and public relations took on vital significance and the advertising manager was often the executive to assume these functions. The complexities of post-war marketing have necessitated men who are also well rounded in other areas such as forecasting, market analysis, product development, and merchandising.

Today's advertising manager in a major company must be very different from his office-boy-technician predecessor. A modern, soundly organized concern no longer relegates him to a subordinate, purely technical position on the organization chart. On the contrary, he is likely to be put into the second echelon, ranking equally with the production manager, sales manager, comptroller, and other major department heads, and charged with important staff or advisory functions, as well as with line functions of running his advertising department.

Profile of the Modern Advertising Manager

Two interesting studies have appeared which afford an insight into the status of the modern advertising manager and show how the position has been gaining power and prestige in recent years. One study, by Professor Dale Houghton, was based on a tabulation of 181 replies from advertising managers with both consumer and industrial lines of goods.[5] The other involved returns from 216 advertising managers confined to the industrial field.[6]

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[5] *Printers' Ink,* July 6, 1951, p. 27.

[6] *Industrial Marketing,* **36**, 34.

The more general study revealed that the median salary was $10,000 a year. Salaries were found to range from $3,700 to $31,000. This compares with a median of above $3,600 just before World War II. The median salary for industrial advertising managers was $8,500 (compared with $3,850 in 1940), with a range from $3,500 to $31,000.[7] As might be expected, the level of compensation is roughly related to the size of the company's advertising budget. Also, there is a dramatic drop in the relation of the advertising manager's salary to the total advertising appropriation. This explains in large part why it is difficult for companies with small budgets to justify a salary large enough to attract competent advertising managers: administrative overhead tends to absorb too large a proportion of the appropriation, leaving too little for expenditures on media and production.

Each of these surveys found that the median age of the advertising manager is 43 years (compared with 37 years found in the 1940 survey). He has been an advertising manager for five years (eight years if an industrial advertising manager), and has been with his company for seven years (fifteen in the case of the industrial advertising manager). These figures illustrate the stability of the advertising manager's position in the company and show that the industrial advertising manager, particularly, tends to be a long-time employee of his firm.

Background of the Advertising Manager

Unlike the early advertising manager, his modern counterpart tends to have a great deal of training in the advertising field. The Houghton study showed that 26 per cent of the advertising managers had worked as assistant managers or as members of the advertising department, 9 per cent had held similar positions with another company, and 14 per cent had had agency training. The sales department, formerly the major supplier of advertising talent, accounted for only 18 per cent of the backgrounds, and only 2 per cent received their training in public relations or publicity. It is significant, however, that the remaining 25 per cent listed a truly staggering variety of backgrounds: stenography, printing, pharmacy, retailing, teaching, engineering, to mention but a few.[8] Some types of backgrounds may represent a valuable asset for certain kinds of positions; e.g., pharmacy may be most useful for the advertising manager of a pharmaceutical firm, engineering for certain industrial companies. However, the large number of totally unrelated backgrounds points to the fact that there are still large numbers of advertising managers who are not well qualified through training and experience, and there are still concerns which do not realize the value of careful selection and training for advertising personnel.

Unfortunately, there is not much reliable information on the educational qualifications of the advertising manager. An earlier survey of 342 advertising managers conducted by the Advertising Managers Club of Chicago showed that as of 1940 about one-half of the managers were college graduates, three out of four had some university training, and only one out of twelve had not finished secondary school.[9] It is probable that most American advertising managers now are university graduates, or at least have had some college training.

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[7] *Management Review*, **29**, 332.

[8] *Printers' Ink*, July 6, 1951, p. 48.

General Qualifications

Of all of the positions in the top executive echelons of a company, that of advertising manager calls for a wider range of talents and abilities than nearly any other. The advertising manager's duties vary with each company, according to the organizational set-up, the relative importance of advertising, sales promotion, marketing, and merchandising, and the type of product being advertised. But, according to Norton B. Jackson, a modern advertising manager should have the following qualifications:[10]

(1) Selling experience
(2) Writing experience
(3) Ability to judge artwork
(4) Analytical powers
(5) Organizational ability
(6) Ability to get along with others
(7) Ability to exercise control and evaluate results
(8) Ability to communicate
(9) General versatility

Organization

There are a great many ways in which the advertising function may be organized in modern business. Good organization must be flexible, adapting itself to the peculiarities of the situation in which each company finds itself. If the company has no more than a five- or six-figure advertising appropriation, obviously the advertising department will be small and it is unlikely that the advertising manager will be considered a major executive by top management. Probably one-half of advertising departments in the United States consist of one to four persons.[11] Only a few of the largest corporations, with appropriations of perhaps $10 million or more, can justify twenty or more people in the department. A survey of 216 industrial advertising departments revealed that the median department size was five persons; 35.7 per cent had only one to three people; and merely 7.9 per cent had twenty or more.[12] Consequently, the organization charts of most advertising departments are surprisingly simple.

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[9] *Advertising Age,* May 13, 1940.

[10] *Printers' Ink,* July 19, 1946, pp. 40-41.

[11] *Management Review,* **29**, 332.

[12] *Industrial Marketing,* **36**, 34.

The following are useful generalizations about factors that determine the size of the advertising department:

(1) Size and complexity of the company, and extent of the market for its products.

(2) Size of the advertising budget. Large budgets are better able to absorb advertising overhead costs than small.

(3) The place of advertising in the marketing mix. Which major sales promotional method is the most effective for the product concerned, personal selling, or advertising? Where the main emphasis is on personal selling, the advertising department will be small in comparison with the sales department.

(4) Nature of the advertising effort. If publication and auditory media—magazines, newspapers, radio, television, etc.—are used, most of the work of advertisement preparation and placement will be done by an agency, and the advertising department will be relatively small. If, however, the company advertises by means of direct mail, point of purchase, house organs, publicity, etc., most of the work will be done by the advertising department, and it will have to be larger.

(5) Past policy toward advertising. The attitude of the management is an important consideration. Some chief executives who have come up through production, engineering, or finance tend to look down on the advertising function and they are reluctant to give the department either the status or the personnel it needs to function effectively.

Title of the Advertising Manager

Although the head of the advertising department has been referred to here as "the advertising manager," in actual practice the title is not standardized, as is shown by the following tabulation:[13]

Title	*Number of Companies*
Advertising Manager	110
Advertising and Sales Promotion Manager	22
Director of Advertising	14
Director of Advertising and Sales Promotion	4
Advertising and Merchandising Manager	4
Director of Advertising and Public Relations	3
Vice-President in charge of Advertising	3
Other	21
	181

There has been a tendency in recent years to "dress up" the designation, giving it the appellation "director" or "vice-president." This is desirable where the company is an important advertiser and the advertising function is organized through several echelons of authority.

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[13] *Printers' Ink,* July 6, 1951, p. 51.

Lines of Responsibility and Authority

Today the advertising function is recognized as having an importance equal to the other major functions of the business. This trend is demonstrated by the following tabulation from a study of 181 advertising departments, made by Professor Dale Houghton, showing to whom the advertising manager reports.[14]

Executive to Whom Reporting	*Number*
President	57
Vice-President in charge of Sales	42
Vice-President	15
Executive Vice-President	11
General Manager	10
Sales Manager	9
General Sales Manager	9
Vice-President and General Sales Manager	4
Vice-President in charge of Advertising	3
Chairman of the Board	3
Vice-President in charge of Sales and Advertising	2
Vice-President in charge of Marketing	2
Vice-President in charge of Merchandising	2
Director of Sales	2
Director of Public Relations	2
Others	8
	181

It will be noted from the above tabulation that about one-third of the advertising managers studied reported directly to the president or chairman of the board. About one-quarter reported to a chief operating executive one rung down the ladder (general manager, vice-president, executive vice-president). In only a little more than one case out of three did the advertising manager report to someone holding a sales title (sales manager, vice-president in charge of sales, and so on).

Another study, this one of 216 industrial advertising managers, shows an even higher proportion reporting directly to top management. In this study, 63.9 per cent were found to answer to the president or vice-president, and only 24 per cent to the sales manager. The remainder reported to the advertising director (5.1 per cent), general manager (3.7 per cent), director of marketing or merchandising (2.8 per cent), and chairman of the board (0.5 per cent).[15]

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[14] *Ibid.*, p. 54.

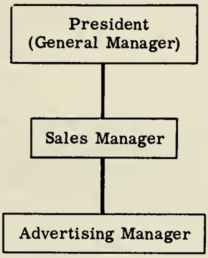
[15] *Industrial Marketing*, 36, 35.

Types of Organization

A superficial examination of scores of organization charts indicates numerous variations in the way firms integrate the advertising function. However, further analysis reveals certain common patterns of organization. Even though the details may vary, the basic philosophy underlying these patterns may be discerned.

Old-Line Organization.

This is the oldest type of organization, and is still fairly important in the United States. It is found among small concerns or larger organizations with small advertising budgets. It is also prevalent in large companies in which the emphasis is on personal selling, and advertising is relatively unimportant in the marketing mix.



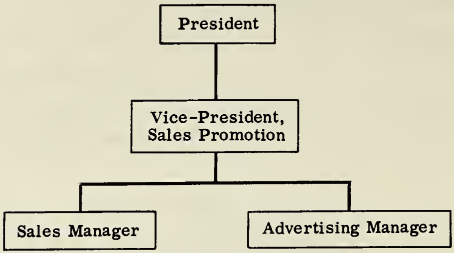
From 25 per cent to 33 per cent of advertising departments are set up under some variation of this old-line plan of organization. Although it has the advantages of unit of effort, close teamwork and cooperation between sales and advertising, and efficient use of personnel, it also has serious disadvantages. The advertising manager functions under the cloud of personal selling. He has little status in such an organization, and the interests of his department may not be represented well by the sales manager. In addition, the sales manager sometimes has little technical knowledge of advertising, and interferes in its operation to the detriment of the function.

Because of these disadvantages, the old-line plan is rapidly losing popularity.

Dual Responsibility.

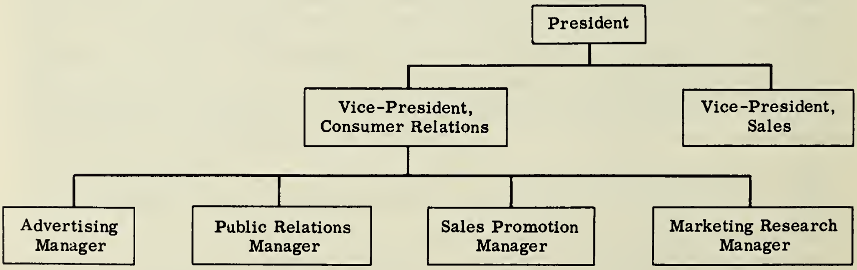
In this type of organization, a single executive is responsible for both sales and advertising functions. He may also bear the title of vice-president in charge of marketing, or of sales and advertising. Essentially, there are two specialized lieutenants, one for personal selling and one for advertising. Assuming that the two departments are separately organized and reasonably autonomous, it is perhaps one of the best organization arrangements. There has been a definite trend in recent years by progressive firms toward this type of organization.

Centralization of over-all planning, budgeting, and control in one official is good. He can effectively represent the interests of both departments to top management, since he is at the second level of authority. The major limitation of the plan is in finding a suitable man to hold the vice-president's job. It takes a truly versatile person, well experienced in both sales management and advertising administration, who is both a good planner and coordinator.


President
Vice-President, Sales Promotion
Sales Manager
Advertising Manager

Multiple Responsibility.

This form of organization is similar to the dual form in that personal selling is separated from the other forms of promotion. However, under this plan the vice-president has a number of rather dissimilar functions under him. The rationale is quite logical. One executive is given charge of all nonpersonal channels of communication with the consumer markets—advertising, publicity, contact with the trade, and information back to the company via marketing research. It is in line with the recommendation recently made by Marion Harper, Jr., that there be a director or

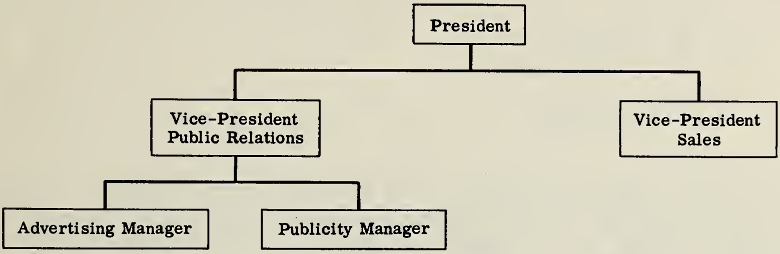

President
Vice-President, Consumer Relations
Vice-President, Sales
Advertising Manager
Public Relations Manager
Sales Promotion Manager
Marketing Research Manager

manager of intelligence, who would handle all contacts *from* the market to the company, and from the company *to* the market.[16]

It has about the same advantages and limitations as the dual form, except that the vice-president in this case has many more functions to oversee, and may not have the necessary time for fundamental planning and control.

Public Relations Orientation.

This type is found in a very few companies, where products sales are subordinated to institutional advertising and public relations. Companies of a public service or quasi-public utility nature find this form feasible, for their product sales tend to be assured; their task is to create a favorable climate of public opinion, and to influence people favorably toward the firm.



Decentralized Organization.

This arrangement is found in one form or another in large companies that have decentralized their operations by product, territory, or some other basis. Each general manager is in charge of a different product or line—each has an operating staff, which includes an advertising manager. Each manager has his own budget and staff and is completely responsible for advertising the product in question within the general top management policy directives. The top advertising executive has various titles—public relations director, vice-president, advertising manager, or a similar one. He is directly responsible for institutional advertising, and sets basic advertising, promotion, and publicity policy which each operating advertising manager is supposed to follow. He helps the latter set their respective budgets, and in a general way coordinates the work of the divisional advertising managers. He is the staff officer to whom top management turns for advice on promotion.

This plan is about the only feasible way to run a multi-brand operation. It is a bit cumbersome since the only way the headquarters advertising

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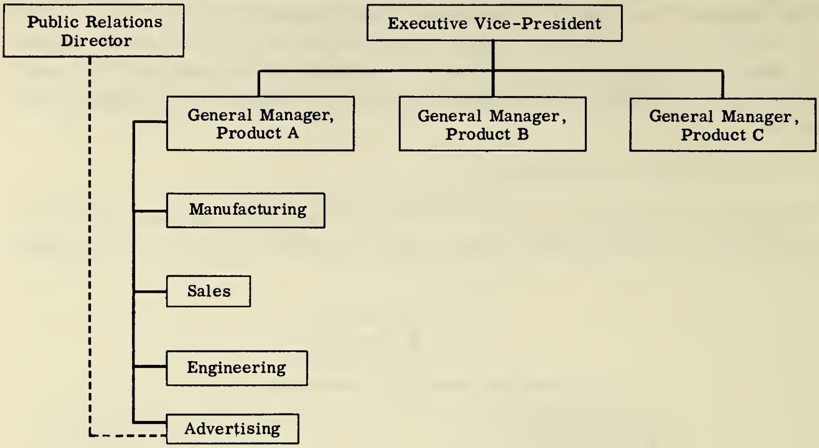
[16] *Journal of Marketing,* **25**, No. 3, 1-6.


Public Relations Director
Executive Vice-President
General Manager, Product A
General Manager, Product B
General Manager, Product C
Manufacturing
Sales
Engineering
Advertising

executive can compel compliance with his directives is through the various general managers, who have line control over their advertising managers. But he does have considerable control over these advertising managers through the budget.

The chief advertising executive has a great deal of status in the decentralized type of organization. He is free of day-to-day operating problems faced by the typical advertising manager, and has opportunity to plan. He also has time to represent the interests of the advertising managers before top management.

THE ADVERTISING AGENCY

Since the advertising manager does a great deal of his work through the advertising agency, this marketing institution should be examined. The limitation of space will permit only a brief look, however.[17]

The latest Census figures reveal that there are about 3,000 advertising agencies in the United States. These range from large organizations employing thousands of people to small "one-man" shops. The latter, quantitatively at least, are probably typical of the advertising agency field, although a large share of total agency business is done by the large-scale organizations. The typical agency will have a principal. He has probably had experience as an employee of an established agency; he might have been in nearly any field—copy writing, production, media, client contact, or one of many others. He will have in his employ a few clerks and stenographic help, will do business in a rented office and use second-hand office equipment and furniture. He may specialize at first in retail accounts, direct mail, or industrial advertising. When he set up business, he may have been able to take with him a few accounts or advertisers from his former agency.

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[17] For detailed information on agencies, the reader is referred to specialized books in the field.

If he succeeds (and he may fail, since scores of new agencies do each year), he will add personnel as required. He will hire copy writers, a staff artist, production man, media expert, and the like as his volume of business warrants it. He will need accountants, a treasurer, and other people to handle the business aspects. As he gets more clients, he will require account executives to act as liaison with his advertisers. To the basic functions of creative departments (copy and art), media selection and buying, client contact, production, and record keeping he may add supporting staff people—television-radio department, marketing research, public relations, sales and merchandising planning, commercial design, and others. In effect, due to the proliferation of all these functions, the large advertising agency has really become a marketing agency, since it is capable of handling all the marketing work of the manufacturers it represents. Many agencies have become market-planning arms of their respective clients, producing detailed campaigns that embody marketing strategy, market evaluation, sales and merchandising support, package and label design, and many other requisites of a complete marketing package.

Due to a peculiar accident of historical development, agencies are paid by the media—the newspapers, magazines, radio and television stations—rather than by the advertisers for whom they really work. This came about, as described in an earlier chapter, because the early agencies started as space sellers and jobbers, working to sell advertising space for newspapers and magazines. More and more, they became identified with the welfare of the advertisers, rather than of the media; however, they continued the arrangement of being paid by the media.

When an advertising agency places an advertisement in a medium, such as a newspaper, the agency bills its client advertiser for the entire amount. Let us suppose the bill is for $1,000. The client pays the agency the full $1,000. Then, the agency deducts its commission of 15 per cent, $150 in this case, which it keeps for its services. It remits the balance, $850, to the publisher of the newspaper for the use of his space. The newspaper will allow the agency to keep the commission, as long as it has recognized the agency as being a bona fide, ethical agency, not controlled by an advertiser, and not in the habit of rebating any of its commission proceeds back to the client. In addition to its media commissions, which make up the greater part of an agency's revenues, it also makes money from purchasing for its advertisers typography, plates, art, and photography, and from doing special work for them, such as marketing research and sales portfolios.

Under such trade organizations as the American Association of Advertising Agencies (the 4 A's), responsible agencies have worked out a rather strict code of ethics. It is an old custom of the business, rigidly adhered to, that an agency may have only one account in one field of business at one time. For example, an agency already possessed of one automobile account could not accept another brand of car unless it first resigned the original account. Agencies sometimes do resign accounts in order to secure another account in the same line which they like better or which will spend a larger appropriation and therefore net the agency larger commissions.

Information acquired by the agency about a client's business is supposed to be kept confidential. The agency-client relationship is a close one. In formulating advertising plans and marketing strategy, the agency must be furnished with facts about the client corporation which would be of interest to competitors. Like the doctor or lawyer, the agency is bound not to disclose any of its client's business.

Another ethical principle of the 4 A's—and one that has not been strictly enough adhered to—deals with speculative presentations. Advertising agencies must look for new business just as any business organization must. When it hears of a firm about to change agencies, or about to bring out a new product, it naturally solicits it as a potential client. The prospective client is shown about the agency, introduced to the major agency executives, and shown examples of successful products handled by the agency. He also becomes acquainted with the person who would be his account executive if he chose the agency. All of this, plus reasonable social entertainment, is not considered unethical. But some agencies go far beyond this in soliciting accounts. They engage in speculative presentations that may cost $20,000 to $30,000 per prospective account. In these cases, an elaborate "show" is put on by the agency. Each department give a high-pressure account of its powers and successes. A whole advertising campaign is worked up, complete to the point of advertisements, television commercials, merchandising materials, and the like. Because of the high-pressure nature of the speculative presentation, which is unfair to the client, in that it may color his judgment, and because of the great waste of money involved, the 4 A's have taken a strong stand against it. Although many agencies refuse to do this type of presentation, many others still engage in the practice.

Another interesting aspect of agency practice is the liability of the agency for space, materials, and services purchased in behalf of its clients. The agency is directly liable for any such purchases—it cannot allege that it is merely an agent in that capacity. For example, suppose the agency has purchased space in a number of magazines for a client, and the client goes bankrupt. The magazines could look to the advertising agency for payment, and the agency would have to make good out of its own funds. This guarantee of accounts receivable is a real service to media and suppliers of advertising materials and services: as long as they have a purchase order from a reputable agency, they need not worry about the financial standing of an advertiser. By the same token, an agency must be careful to investigate the solvency of a new client, since a fly-by-night firm may cause considerable loss to the agency.

The success or failure of the advertising effort of a client rests on its agency's quality of thinking and execution. Hence, one of the most important duties performed by the advertising manager of a company is to choose a good, reliable, creative agency. He must be sure the agency knows its job, has a reasonably good grasp of his line of business, is honest, and does not think so differently from his company's advertising and sales people as to be in violent conflict with them. If his company is small, it is not a good idea to choose a large agency; his account may get lost in the shuffle. Conversely, if his account is a large one, it should not be turned over to a small agency. The advertiser will come to dominate the small agency and lose the advantage of fresh thinking. It is a good rule of thumb for the advertising manager to choose an agency of about the same relative size in the agency field as his company is in *its* field. Above all, the advertising manager should avoid an agency with a "yes man" attitude. One of the most valuable things he can get from an agency is the outside viewpoint. The agency has vast experience with a multitude of accounts in widely differing fields. The resultant cross-fertilization of experience can yield valuable dividends if the agency is allowed to exercise its ingenuity.

THE PUBLIC RELATIONS AGENCY

The public relations field is one of the fastest growing of all business areas. As shown in Chapter I, there are more than 100,000 people in public relations today. About 8,000 to 10,000 of these are "professionals"—experienced recognized people in the field.[18] There are about 1,200 public relations agencies.[19] Most of them are small operations, but some, such as Hill and Knowlton and Carl Byoir & Associates, are quite large. Hill & Knowlton employs 210 people and grosses $3,500,000 a year; the Carl Byoir organization has about 250 employees and grosses $3,000,000 per annum. In addition to the agencies, most large companies have public relations departments, some of them rather large. Many concerns have public relation departments and employ outside agencies as well.

The major task of public relations men is to keep the company out of trouble with the government, customers, public at large, and anyone else. They work on building a favorable corporate image for their firms. They present the company viewpoint before government bodies, regulatory commissions, Congress, legislatures, and other groups. They issue press releases in order to secure free publicity for their clients in newspapers, magazines, trade journals, and over radio and television facilities. They cultivate special groups who are of importance to the company, such as stockholders, suppliers, and competitors. And, when the company gets in trouble from unfavorable publicity, the public relations men try to project the company's side of the story to the public.

In building a favorable corporate and brand image, the public relations director must work closely with the advertising manager and sales manager of his company. The public contacts that the salesmen have, and their manner in dealing with the public, may aid in building a good image, or may destroy all the efforts of the public relations department. The tone of the advertising must consistently tie in with the kind of image the public relations man is attempting to build. If he wants a "folksy" image, the advertising should be "folksy," too. If the advertising conveys a cheap and sleazy impression, he will scarcely be successful in building a public image of dignity and respectability. Thus, there must be close cooperation among all three branches of the sales promotion area—advertising, sales, and public relations. It is a good idea for all three executives to get together, agree on, and write down what long-range image they want to create. This might be called an "image platform," not dissimilar to the "advertising platform" that so many clients formulate as a part of their basic campaign planning. All communications with the public—personal and nonpersonal—could be tested against the image platform to make sure that they are consistent with and further the development of the best possible image for the company.

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[18] Irwin Ross, *The Image Merchants* (New York: Doubleday & Company, Inc., 1959), p. 14.

[19] *Ibid.*, p. 27.

SUMMARY

The changes which we are seeing in the organization of today's business firms reflect the importance of broad social forces. These same considerations are also shaping new curricula in our educational programs for tomorrow's society. In this book, the authors have presented a case for an understanding of the basic fabric of consumer wants and behavior and the management of promotion. The economist Frank H. Knight treated this subject of consumer wants as they might pertain to promotion. He wrote: "These wants which are the common starting point of economic reasoning are from a more critical point of view the most obstinately unknown of all the unknowns in the whole system of variables with which economic science deals."[20]

Perhaps we can now concentrate on *how* to best satisfy these wants. There are those who feel that the mere thought of trying to understand this area in a scientific way is degrading. However, as one English writer has put it, "You can either rejoice that human beings have wants, and that other human beings try to satisfy them and be paid for their trouble; or you can deplore the nature of humanity."[21]

It does not seem out of order then to hold that promotion is an important activity—*not* from a defensive point of view—*not* from a justification of what it has done for mankind—but from a solid practical economic view of life with it or without it. With a sincere interest in the field of promotion and its activities, we as marketers should be able to do a better job for distribution. This is to say, really, that if we believe promotion has a place in the American economy we should concentrate on making it better and spend less time in trying to explain why it has been bad in the past.

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[20] F. H. Knight, "Ethics and the Economic Interpretation" in *The Ethics of Competition* (New York: Harper & Row, Publishers, 1935), p. 20.

[21] Walter Taplin, *Advertising: A New Approach* (London: Hutchinson & Co., 1960), p. 33.

There is a final aspect of the importance of promotion which should be mentioned. That is the place that selling takes in the maintenance of a free enterprise economy as we know it in the United States today. New products, and the producers and distributors of them, must be free to present their offerings in a favorable and persuasive manner to the consuming society if we are to maintain a free enterprise economy.

Imagine, if you will, a situation wherein a producer or a distributor was not allowed to openly advertise and sell his products in a persuasive manner, but was told that since his product or type of product is now well known he may only sell or advertise it on a straight informative basis. This is to say, he might only state that they are now manufacturing such and such a product, which has been manufactured before, and it is available for sale. Obviously a producer and/or distributor goes into business with the idea that he has something which can better satisfy the consumer than something currently being offered. Be it a new facet of a product, service, type of delivery, type of follow-up, or other commodity, he feels that his product is a little bit better and that the consumer is looking for it. Then, if he is to be successful and to enter into business freely, he must have the opportunity to contact this person in a persuasive manner. The consumers in general could be deprived of a dynamic economy, we believe, if it were not for this guarantee of the freedom to go out and openly sell products in a persuasive way. The freedom to compete, which is focused in the marketplace, makes possible the wide range of consumer choices which we have come to value and call "our standard of living."

Many years ago Herbert W. Hess made the following prediction:

> The problem of future business is primarily a human problem. A part of its solution will be in terms of salesmanship. To sell all the goods which modern industry is capable of producing through scientific machinery and a humanly scientific commercial administration imposes a tremendous task on the present system of distribution. Future history will come to talk of masters of distribution as the past has emphasized masters of production. Masters of distribution will need to probe into laws of society and government and the principles underlying individual growth and attainment, in order to get at the scientific sources of legitimate maximum sales.[22]

Note that this prediction brings to mind the *responsibility* of the "master of distribution" both to the laws of society and government and to individual growth and attainment. All of these tend to culminate in the scientific sources of legitimate maximum sales. This has been the quest of this book—the scientific sources of legitimate maximum sales.

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[22] Herbert W. Hess, *Creative Salesmanship* (Philadelphia: J. B. Lippincott Co., 1923), Preface, p. 5.

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Date Due

Date Due

Due	Returned	Due	Returned
NOV 1 1 1986	NOV 1 4 1986		
JAN 2 9 1987	FEB 0 9 1987		
FEB 1 9 1987	MAR 0 9 1987		

3 1262 00036 7028

KEEP CARD IN POCKET

Date Due

DUE	RETURNED	DUE	RETURNED

898